

lattersle given Healey's support

THE TIMES
Tomorrow
Powell on peers
The ennoblement of William Whitelaw has revived the debate about the value or otherwise of hereditary peerages. Enoch Powell comes out on the side of succession.
Out of tune
For 12 years Vladimir Horowitz refused to play in public. Glenn Plaskin explains why in the concluding extract from the first-ever biography of the pianist.
Burnt-out case
Enjoy all the excitement of suburban life when Marcus the roof-burner meets the loathsome Petranella. Alan Franks reveals all in his diary.
Plus
Full coverage of Wimbledon and World Cup cricket.

Israel hint of partial pull-back

Israel will soon begin a partial withdrawal within Lebanon to a more easily defensible front line, Mr Yitzhak Shamir, the Foreign Minister, confirmed publicly for the first time yesterday. Such a move would effectively partition Lebanon. He said the redeployment would be coordinated with the United States and Lebanon.

FINANCIAL TIMES

Leaders of the National Graphical Association, whose dispute with the *Financial Times* has led to the loss of the last 18 issues of the newspaper, yesterday formally rejected binding arbitration to solve the dispute in the machine room.

Labour paper

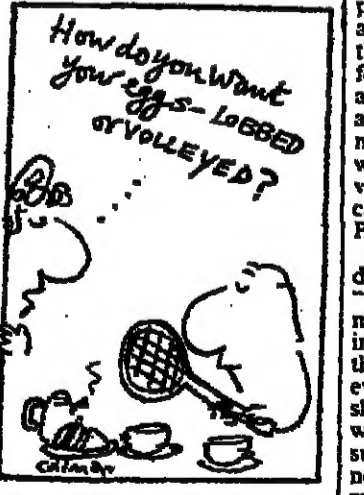
Trade unions are to be asked over the next month whether they are prepared to support a £6.7m plan to launch a daily newspaper for the Labour movement, despite scepticism among some TUC leaders about the feasibility of the proposal.

Calvi deal

Roberto Calvi's widow told an inquest that two days before he was found dead he had said he was about to complete an important deal.

Napley ruling

West Yorkshire County Council failed to win the right to see and challenge Sir David Napley's bill for legal expenses for work during the Helen Smith inquest.



Seed beaten

Jose-Luis Clerc, the Argentine No 7 seed, was beaten by Claudio Panatta, of Italy, on the opening day of the Wimbledon tennis championships.

Leader page 11
Letters: On electoral reform, from Sir Anthony Kershaw, MP, and Mr M J Taylor; on South Bank, from Mr I Horsburgh; on the new President of China, from Mrs K Stewart of Coll.
Leading articles: Volcker and the United States; interest rates; Commons Select Committee; new President of China.
Features: pages 6, 7, 10
Peace: a Czech dissident's view; the Salvador battle; Reagan's allies must win; Roger Scruton puts the case for hereditary titles. Spectrum: A musical marriage. Fashion: Invitation to the Dance.
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Mr Simons Erlich, Mr George Benson
Computer Horizons, pages 22, 23
Report from Silicon Valley: the supreme struggle; advice to hopeful parents.

New nuclear survival strategy for Britain

By Peter Evans, Home Affairs Correspondent

Britain's civil defence plans to meet a nuclear attack are to be radically improved after a wide-ranging government review of present arrangements. The changes are likely to dismay left-wing councils which believe such plans make nuclear war more "acceptable" in the public mind. However, the Government strongly refutes this and says these are humanitarian precautions.

An important part of the changes is a speedier involvement of emergency regional governments before and after a nuclear attack. The bunkers from which they will operate are to be refurbished and re-equipped by 1985. Two civil defence regions, the North East and North West, will have new bunkers built.

Regulations already laid before Parliament will enable ministers to compel local authorities to make specific provisions, for instance on the minimum size of emergency headquarters, and the nature of their equipment. They will also have certain functions laid on them: one could be that the essential core of contingency plans must be capable of being put into effect within 48 hours. Target dates for those plans are likely to be set.

The regulations, put to Parliament on April 28, were expected to come into force on July 1, but implementation was delayed by the general election.

The cost of civil defence spending on volunteers, training, exercises, communications and equipment will be entirely reimbursed to local authorities by the Home Office through grants. The country's system of passing on to regional authorities early warning of an attack is being improved, together with arrangements for

monitoring radiation, which are for the most part in the hands of volunteers. The improvements will cost £17m.

The Government is also stepping up police planning and training for war duties, including liaison with the military for better protection of vital installations. And civil defence staff officers are being appointed to work with each Chief Fire Officer.

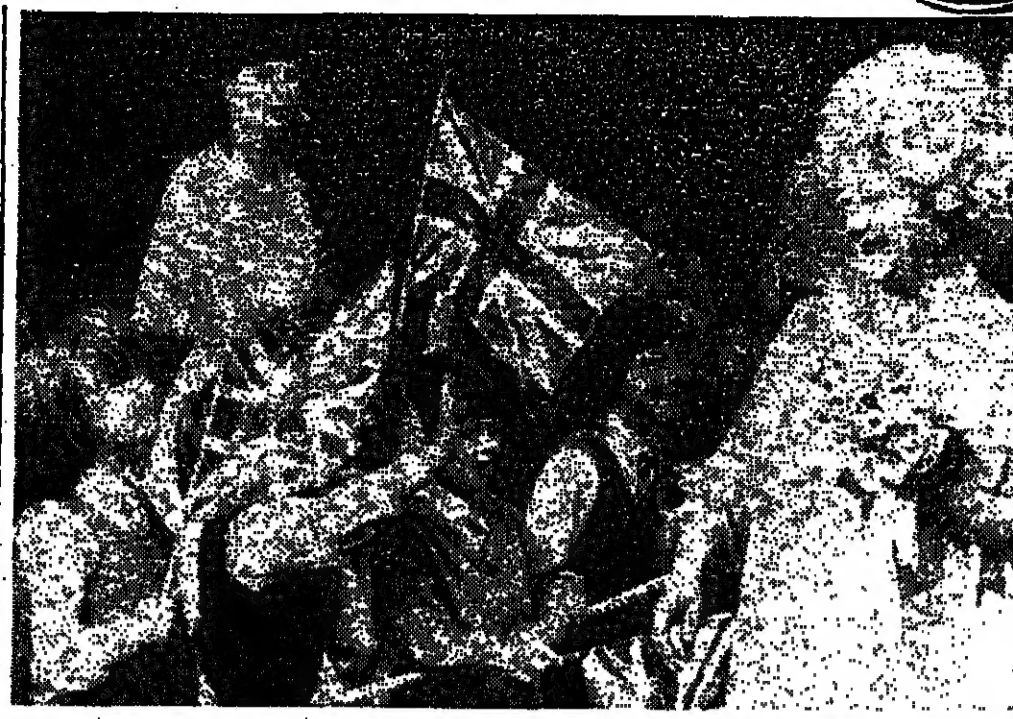
Advice to the public is also being revised. In particular, the credibility of the present policy of urging people to stay in their homes is being considered. If many people are likely to ignore that advice, ministers realize it might be better to plan for orderly evacuations.

More guidance on the protection afforded by shelters is planned; it is already known that a national survey is to be made of all premises that could be adapted to become public shelters.

Later this year drafts of new government publications to replace the much-criticized *Protect and Survive* will be ready for ministers.

New attention is being given to protecting the public from chemical attack. The threat has been studied by a Home Office working party, along with what advice, warning and low cost measures could be given. No decision has been made about stockpiling respirators, but the risk is not thought justified at present.

Emergency laws for transition to war are being updated and refined. A major redraft of both the enabling Bills and draft regulations, similar to the Defence Regulations of 1939, is under way. The aim is to have the most flexible arrangements possible to cope with the various ways a crisis might develop, and with the wide range of possible attacks.



Royal smile lifts the shadow of the gun

From Richard Ford, Ballymena

Queen Elizabeth the Queen Mother won a warm welcome yesterday as she defied Provisional IRA threats to disrupt her visit to Northern Ireland.

Although the warnings were dismissed as propaganda, thousands of troops and policemen were on alert to prevent a possible terrorist attack.

The Queen Mother smiled her way through the security operation even though, 30 minutes before she arrived by helicopter at Ballymena, on Antrim, several hoax telephone calls warned the police that bombs had been placed in six stores in the town.

On the parade ground of St Patrick's barracks, where the Territorial Army was celebrating its 75th anniversary, the guest of honour received a musical welcome of "When Irish Eyes Are Smiling" and "Danny Boy" that would have made most Irishmen abroad misty-eyed. The Queen Mother responded by praising the province's soldiers for their courage. "History is constantly turning another page in a book of which we cannot see the end," she said. "We can but pray for wisdom and understanding."

Earlier, with one of the gestures for which she is renowned, she gave Mr James Prior, Secretary of State for Northern Ireland, anxious minutes but delighted a small crowd gathered outside the gates of Hillsborough Castle, Co. Down. In an unscheduled stop she walked through the grounds and stood talking for about six minutes to well wishers. Detectives and Mr Prior looked nervously around as the Queen Mother, dressed in a blue chiffon dress and coat with a matching petal hat, Continued on back page, col 1



The smiling and the sombre coming together at Government House, Hillsborough, as the Queen Mother meets schoolchildren amid a full security alert for her visit to Northern Ireland.

Premier was 'drunk' on Princess's charm

St Andrews, New Brunswick (Reuter) - Mr Richard Hatfield the Premier of New Brunswick, has claimed he was "drunk on charm" when he made a controversial toast at an official dinner in honour of Prince Charles and Princess Diana at the weekend. In his toast, Mr Hatfield, a 52-year-old bachelor and fervent royalist, told the visiting royal couple: "We have heard and read the lies and... it is wonderful to meet and know the truth."

Decision may be delayed

Doubts over mortgage rise

By Lorna Bourke and Frances Williams

Uncertainty surrounds tomorrow's controversial emergency meeting of the Building Societies Association, called at short notice after the election to decide on a new interest rate structure.

Some societies are reported to want a delay until the Council's scheduled meeting on July 8 when interest rate trends may be clearer. But it is not certain whether most expect a delay to mean a larger-than-expected mortgage rate rise or no rise at all.

The Building Societies Association yesterday dismissed as "extremely unlikely" the possibility that the decision would be postponed, and the most likely outcome is a rise in home loan rates from 10 per cent to 11 per cent or 11.5 per cent, with an investment rate of 7 per cent or 7.25 per cent.

No further base rate cuts are expected this week from the banks and the hawks on the association's council will press for the largest mortgage rate rise possible, pointing to the possibility of an increase in United States interest rates as justification.

Other council members are believed to prefer delaying the decision on the grounds that there may be a more positive indication of British interest rates trends by July 8 and that a rise may prove to be unnecessary.

The deciding factor is likely to be the enormous demand for home loans and the fact that lending has been maintained in recent months only by running down liquid reserves.

Roy Cox, deputy chairman of the Building Societies Association, said: "In my opinion it is almost a certainty that we will put up the mortgage rate tomorrow." But he emphasized that he did not speak for the full council.

Business News, page 13, 21

Mayfair gang seizes up to £6m in gems

By Stewart Tendler, Crime Reporter

Uncut diamonds and jewelry worth between £4m and £6m were taken from the vault of a jeweller's in Mayfair, central London, yesterday in what is believed to be Britain's biggest gemstone robbery.

The vault of Bond Jewellers, in Conduit Street, near New Bond Street, was opened after a gang of men, armed and some disguised in monkey masks, entered the showrooms as the jeweller's was opening for business. A gun was put to the head of one of the staff and the gang said they would shoot him unless the vault was opened.

The staff agreed to open the vault and the gang rifled trays of diamonds and jewelry before escaping into the Monday morning bustle in London's West End. Staff were left tied up or locked in the vault.

The firm had only moved into the building a week ago and the gang made use of gaps in security.

Last night as detectives from Scotland Yard's central robbery squad began investigations, a senior detective said they would examine the possibility that the gang had inside information to plan and carry out the raid.

The premises, the ground floor of an office block, include showrooms at the front, a stockroom at the rear and the vault. The showrooms were heavily protected by security devices and entered by a pair of heavy double doors but 15 feet away was another door which led to a lift, a stairwell and a door into the firm's stockroom.

The gang, thought to be four or five white men, are believed to have entered the building early yesterday morning and broken into empty offices above the jewelry firm. They waited as

staff turned up to work and as the last arrived they forced their way in.

The gang could not be seen from the street because a stairwell in the corridor leading from the street created and alcove in front of the door to the jewelry stockroom.

Once inside the gang took all the staff to the vault except for one who was kept upstairs guarded by one of the gang. The aim was to make it appear from the street that everything was normal inside.

Outside the vault the manager opened up the door after the threat to shoot a member of his staff. The gang went through the trays inside carefully selecting what they wanted and scattering other pieces on the floor.

The gang ripped out telephone wires to delay the alarm being raised and then walked out of the jeweller's with their haul.

The police believe that they had cars waiting nearby or dispersed and went their separate ways. When police arrived the magnitude of the robbery was at first not clear. It was not until nearly five hours after the raid that the staff finished going through their records and assessed the loss.

Scotland Yard would not say last night whether the company was insured. As detectives took statements from the staff the figure for the loss rose to £3m, then £4m and then to £6m.

Detectives were told that at least one of the gang did not wear a mask. He may have been used to knock on the side door as the last of the staff arrived for work and pave the way for the rest of the gang.

Continued on back page, col 6

Wimbledon televised as BBC talks start

By Kenneth Gosling

The Wimbledon tennis championships were shown as planned on BBC television yesterday as talks began in London in an attempt to resolve a dispute between the BBC and its technicians. 100 of whom were suspended last week in a dispute about allowances paid to them for working out of town.

However, England's World Cup cricket match against Sri Lanka was blacked out and tomorrow's State Opening of Parliament is still threatened although a television crew has been allocated from among staff suspended by the BBC for refusing to sign an undertaking to work normally.

The talks opened at the headquarters of the Advisory Conciliation and Arbitration Service at the invitation of Acas yesterday afternoon after the first

ball of the Wimbledon tournament was served.

The discussions involve the BBC and three unions: the Association of Broadcasting Allied Staffs (ABAS) whose members are chiefly involved in the National Union of Journalists; and the National Association of Theatrical Television and Kine Employees.

The BBC is insisting that receipts are produced for expenses incurred during overnight stays by its staff. Previously this was requested but was not compulsory.

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Colin Roach shot himself, inquest jury decides by an eight to two majority

By Nicholas Timmins

Colin Roach, the black youth who died, aged 21, from shotgun wounds in the entrance to Stoke Newington police station, north London, in January, committed suicide, the jury in the inquest on his death decided yesterday.

The jury, which included five blacks, reached the decision by a majority of eight to two at Clerkenwell county court. A female juror wept as the black foreman of the jury announced the decision.

It was greeted with brief uproar from the packed public benches. As Mr James Roach, Colin Roach's father, shouted repeatedly: "Over and over they tell you lies, a pack of lies."

As Det Chief Supt. Charles Robertson, the officer in charge of the investigation into the death, left the court a man shouted at him "You are a monster".

But the outburst was followed by a stunned and dignified silence in the courtroom as the family, Mr and Mrs Roach and

their daughter Pauline, sat in silence on the bench they had occupied throughout the six-day hearing into Colin Roach's death on January 12.

As they were taken out amid the cameras to their car, Mr Roach said: It was not the jury that made up their minds. It was the coroner.

Mr. Barber Hesse, of the Roach Family Support Committee, said that the campaign for an independent public inquiry would go on. "The inquest proceedings and verdict have since January 12 been regarded as irrelevant to establishing the true circumstances of the death. What has taken place in this court is clearly irrelevant to our campaign for truth and justice."

Earlier in his summing up, Dr Douglas Chambers, the coroner, offered the jury five possible verdicts from an open verdict, to unlawful killing, manslaughter, that he shot himself, or that he committed suicide.

He told the jury that the evidence he had heard "does not convince me that anybody was involved other than the deceased himself".

He said that there was understandable reluctance to reach a suicide verdict. The jury could reach a verdict that he shot himself, Dr Chambers said, without deciding whether the action was a deliberate act.

He said that there were difficulties as there was nothing definite to link the single-barrel sawn-off shotgun with Colin Roach; that the gun had to be in pieces to fit the bag found with the body, and that no one had been traced who knew of Colin Roach speaking about of possessing a gun.

The jury retired at about 1.35pm, returning almost two hours later for guidance on whether they could give a majority verdict and for further guidance on the verdicts available. They returned an hour and a quarter later with the suicide decision.

Background of tension

Youth's death used to fuel mistrust of the police

The inquest verdict that Colin Roach took his own life should, but probably will not, settle the issue.

In the five months since his body was found in the entrance to Stoke Newington police station, north London, in the night of January 12, a sawn-off shotgun lying across the lobby from it, not a scrap of evidence has emerged to show that his death was anything other than a bizarre and tragic suicide.

Yet since his death more than 90 people have been arrested in demonstrations demanding an independent public inquiry into the death and the Colin Roach case has become a cause célèbre.

The reasons lie in part in a direct conflict of evidence between the police and Colin Roach's family and friends over how they were treated on the night of his death; in the history of tension and mistrust of the police in the area; and in the way the death has been used by the left to fuel that mistrust in the cause of seeking police accountability, at the expense of police and community relations in an area where there are genuine difficulties that need to be tackled, not exacerbated.

Mr and Mrs Roach, Colin Roach's parents, say they were badly treated on the night their son died. They say that Mr Roach arrived at the police station at 12.30 am but was

not told of his son's death until 3 am and that the police refused to show him the body, called him a liar, and insisted on talking a statement while he was weeping.

Mr Roach has denied that he said that his son had been talking of suicide, or that he took a bag and towel, fumed with the body, when he left home. Mrs Roach repeatedly phoned the police station during the night and was told nothing, she says.

The police say that Mr Roach was told of his son's death at 12.45 am shortly after his arrival, that he was distraught but cooperative, and that he was not shown the body for humanitarian reasons.

Wherever the truth lies, and even if the police treatment of the family was callous, nothing alters the overwhelming medical and circumstantial evidence that Colin Roach killed himself. Two pathologists, one called in by the family to carry out a second post-mortem examination, have told the inquest that they believe the wound was self-inflicted.

A passer-by in the street heard the shot, thought a car had back-fired, looked around and saw no one. The account of the desk officer at the police station of how he heard the shot and found the body had the ring of truth about it.

It is clear, harsh though it is to say it, that the family

through the support committee that has received £7,500 in grants from the GLC and Hackney Council, were less than honest with those who marched with them about the state of Colin Roach's mind in the fortnight before he died. He was, they have said, a bit depressed. From the evidence to the inquest, it is clear that he was seriously disturbed.

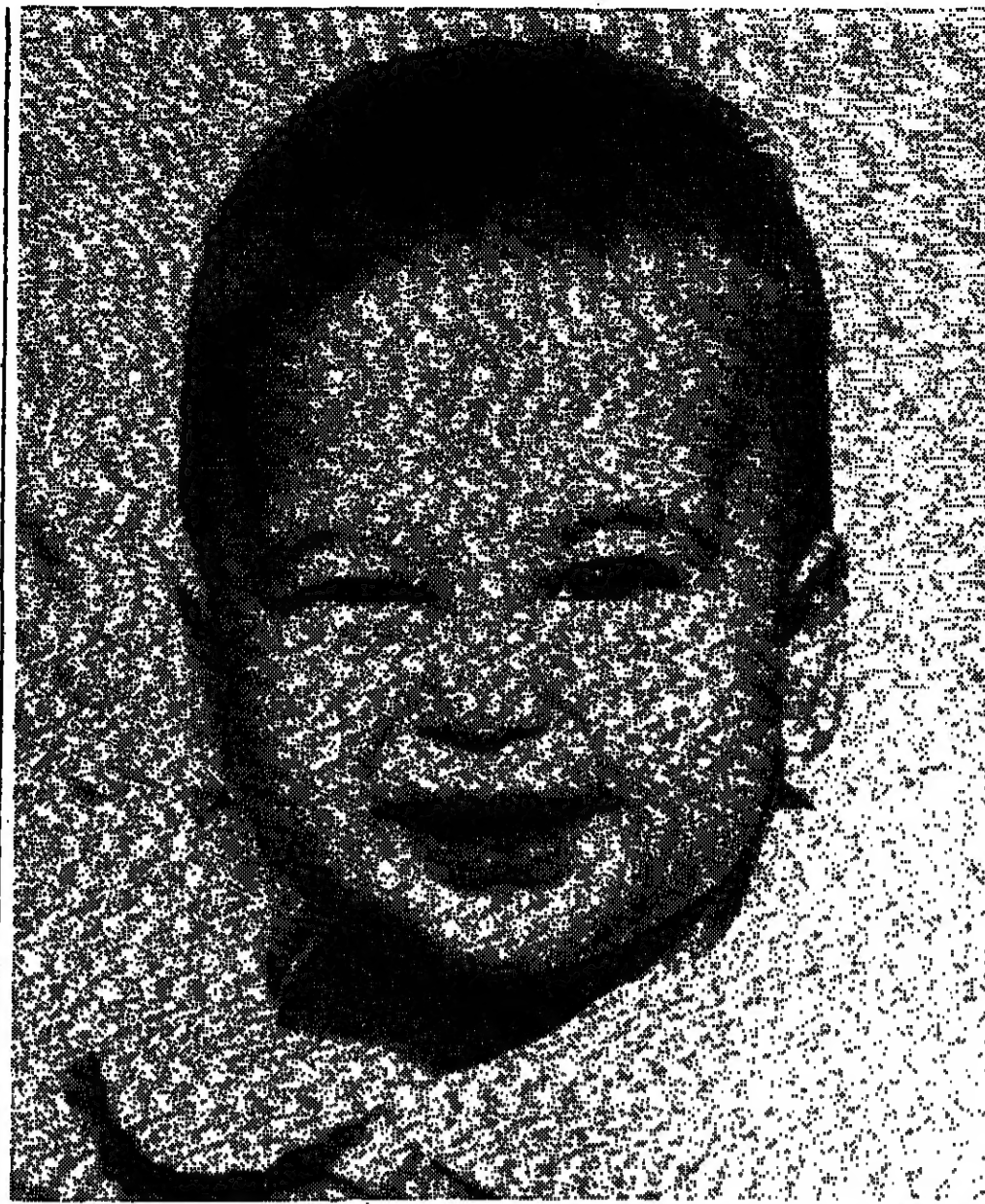
Allegations that the police were responsible for the death fell on fertile ground in an area where relations between the police and blacks have been bad. Last year, Mr Justice Mars Jones in awarding a black family £50,000 exemplary damages after police illegally entered their home and beat them up in 1976, said that there had been a five-year cover-up of a "brutal, savage and sustained variety of assaults" on them.

Far-left groups moved in to fuel the issue, from Socialist Action and the Revolutionary Communist Party to the instantly created Hackney and Stoke Newington Defence Campaign, which has links with the Revolutionary Communist Group, and to which Hackney Council gave a £1,000 grant.

Hackney Council is a firm believer in the GLC's model of police accountability. Commander William Taylor, the new head of Hackney and Stoke Newington police, acknowledges that there is "tension and anxiety in some parts of the community", but denies there is widespread fear and distrust of the police.

Hackney Council and the HCRE may believe that changes in police accountability and the complaints system are needed. But the overwhelming impression from Hackney is that a difficult situation is being allowed to drift and is being used to try and achieve those changes.

What is needed is not the present fence-war but a general willingness to tackle the difficulties jointly.



Royal wink: Prince William, who is a year old today, and has stayed at home while the Prince and Princess of Wales are touring Canada.

Neighbours in tree wrangle

Mr John Swinglehurst told the High Court yesterday that the felling of a 40ft tree in the back garden of his home in Kensington, west London, had cut £10,000 from the value of his house, valued at £300,000.

Mr Swinglehurst, an insurance broker, is seeking damages from three neighbours, Lady Hulbert, Mrs Irma Van Schelven and Mr Victor Romanuk, claiming that they were responsible for the felling.

The garden of Mr Swinglehurst's house in Holland Street had once been voted the best in the borough, attracting a visit from the late Princess Alice, Countess of Athlone, his cousin, Miss Hazel Williamson, told Mr Justice Woolf.

Counsel said that the dispute began when Lady Hulbert asked Mrs Patricia Swinglehurst to cut back three plane trees which, she said, blocked off light from her house in Dukes Lane.

But Mrs Swinglehurst said that the trees, one 80ft high and 100 years old, which bordered Lady Hulbert's back garden, were essential to their privacy.

The Swinglehursts returned from a holiday in 1979 to find that a tree had been felled.

The felling was done by Mr Michael Dalrymple, a tree surgeon, counsel said. Mr Swinglehurst is also claiming aggravated damages for the rift with neighbours who blamed him for the felling, and exemplary damages for the £5,000 he claims has been added to the value of the properties of Lady Hulbert, Mrs Van Schelven, and Mr Romanuk.

They deny liability. Mr Swinglehurst is also suing Mr Dalrymple, of Esher, Surrey. The hearing continues today.

State schools trail in university places

By Lucy Hodges, Education Correspondent

The great majority of girls and boys leaving independent schools go on to higher education in contrast with pupils from the state sector, according to a survey published today.

It shows that fewer than 8 per cent of A level boys and fewer than 4 per cent of girls were planning to try to get a job after leaving their fee-paying schools last year.

The most recent figures for the maintained sector (1981) shows that 67.8 per cent of boys and 58 per cent of girls were hoping to get jobs straight from school (These figures include leavers at 16 and at age 18).

The survey, carried out by the Independent Schools Careers Organization, is accompanied by the advice that it is unwise to try to get a job straight from school because of the unemployment rate.

But that, in turn, is qualified by the comment that, unless the recession eases, many of the university-bound pupils from

independent schools will have difficulty finding jobs when they graduate.

Based on replies from more than 200 schools, the survey indicates that more than half the boys and girls at independent schools go on to university.

The most popular subject or career for girls last year was languages, with the sciences coming second, and secretarial work third. Engineering came almost nowhere (seventeenth place), with 1.7 per cent of girl leavers wanting to study it.

By contrast, engineering was by far the most popular subject for public school boys (12.8 per cent chose it last year, a higher proportion than at any time in the past 20 years).

The second most popular subject or job was economics and business studies.

The number of boys wanting to become accountants fell to its lowest level ever recorded.

Heart man dies at Papworth

Mr Andrew Paterson, who underwent two heart transplants, died on Sunday night at Papworth Hospital, Cambridge, after a long illness.

Mr Paterson, aged 25, a former Conservative Party agent from Swanton, near Southampton, received his second new heart two weeks ago after he began to show signs of severe rejection of his first transplant, carried out in 1980 when he was aged 22 and the youngest transplant patient in Britain.

Mr Paterson's death did not necessarily mean any change to the hospital's policy on second transplants, a spokesman said. Cases were considered on their merits.

Father fined over birth

A Student aged 29 was fined £100 yesterday for attending the birth of his son without qualified medical supervision. Despite meetings with health authority officials, the student and his wife aged 19 refused to call medical help for the birth, magistrates in Cardiff were told.

They wanted their baby to be born by natural childbirth methods. The case is the third in the past 10 months to taken under the Midwives Act 1951.

Murder charge

Mr Stuart Brown Dransfield, aged 45, a company director, of Field House, Green Road, Dodworth, near Barnsley, husband of a woman whose hooded and naked body was recovered from the River Trent, was charged at Barnsley Magistrates Court yesterday with the murder of Mrs Paula Dransfield on June 10 and was remanded in custody until next Tuesday.

Sex case delay

The hearing at Bow Street Magistrates' Court, London, of summonses alleging that Mr Paul Raymond ran four sex shops without a licence was adjourned yesterday until September 5.

Footplate first

Margaret Harding, aged 32, a computer operator, of Abbeydale, Gloucester, has qualified as a train driver. She was taught to drive a steam locomotive by fellow members of the Dean Forest Railway Preservation Society.

Home video users face prosecution over copies

By David Hewson

Twentieth Century Fox is planning to launch private prosecutions against any home video users who handle pirate versions of its new film *Return of the Jedi*.

A copy of the film, which is the fastest-selling title in American cinema history, was stolen from the Classic Cinema, Hastings, at the weekend in what police believe is the first organized burglary by video pirates.

The launch of *Return of the Jedi*, the third "Star Wars" film, has been surrounded by elaborate security because of fears that a pirate video version could damage box office takings.

Video pirates, most of them working within organized crime circles, made thousands of pounds from the launch of the science fiction film *E.T.* by distributing illicit copies to video rental outlets.

But most pirated cassettes originate from cinema films that are temporarily removed from the houses where they are playing and copied before being returned.

A statement from Fox yesterday said that anyone handling a copy of the film, whether a dealer or a member of the public, could be prosecuted by the company.

"What the public has to understand is that there are no legal video copies of *Return of the Jedi* in existence anywhere in the world," the statement added. "If any member of the public or any video retailer accepts a copy of this film he would be handling stolen goods and engaging in a conspiracy to defraud. These are imprisonable offences."

Fox refused to discuss whether other copies of the film had fallen into the hands of pirates in other countries. But it is understood that there are slight changes in all of the film copies produced so far which make them unique. If a cassette of the film is found in Britain the company can tell whether it was produced from the film stolen in Hastings.

Sussex police, who are investigating the burglary, say that the thieves broke down a door into the cinema and forced their way into the projection room.

In recent months, the cinema industry has been making considerable inroads against video piracy which is thought to have made £100m for its organizers last year. The penalties for copyright infringement will be increased on July 13.

But Fox's threat to prosecute individual users of pirate copies for handling stolen goods is the first warning to the nation's 3.6 million home video owners.

Napley fee challenge is lost by council

By Frances Gibb

Legal Affairs Correspondent West Yorkshire County Council failed yesterday to win the right to examine and challenge the bill submitted by Sir David Napley, the solicitor for his work last year in the Helen Smith inquest.

The council has refused to pay the bill, variously estimated at between £12,000 and £20,000 for the month-long inquest, which Sir David submitted to Mr Philip Gill, the West Yorkshire coroner.

It has said that it will pay only "reasonable expenses and fees" and not what it suspects to be a "gold-plated bill" (Sir David drives a gold-coloured Rolls-Royce).

But yesterday in a hearing in chambers in London, Master Elton, Senior Master and Queen's Remembrancer, dismissed the council's application to be a party to the taxation, or vetting, of Sir David's bill.

The right to have the bill taxed was granted to Mr Gill, with Sir David's consent. The decision means that the council will see the bill only after it has been assessed, probably in September, and will then be obliged to pay it.



Sir David Napley: Bill sent to coroner.

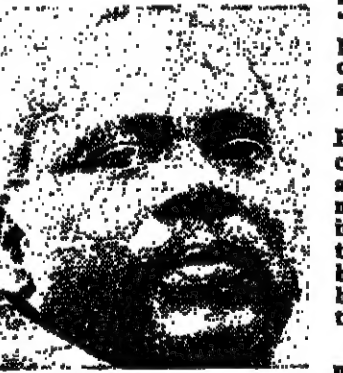
In a statement issued yesterday after the 90-minute hearing, Mr John Gunnell, leader of West Yorkshire County Council, said that he was dismayed that the council should not be involved in assessing the bills of Sir David, and of Mr Harold Fowler, a Huddersfield solicitor who represented five German divers at the inquest.

The council would have to rely on Mr Gill to engage the services of an experienced costs draftsman who "will be able to make sure the bills which eventually come to us are as low as they can be", Mr Gunnell said.

Mr Peter McKay, the council's deputy clerk, added that the bill, for Sir David's representation of Dr Richard Arnold, host of the party at which Miss Smith died in Saudi Arabia four years ago, had been submitted to the coroner in January.



Colin Roach: Suicide while seriously disturbed.



Mr James Roach: Allegations after son's suicide.

Three jailed after woman was buried in secret

From Arthur Osman, Birmingham

Three women who were jailed at Birmingham Crown Court yesterday were told by Mr Justice Bush that what they did with the body of a woman aged 80, the mother of one of the defendants, was "offensive to ordinary decent people".

Sonia Legrand, aged 44, of Drovers Croft, Green Leys, Milton Keynes, was jailed for a total of three and a half years and Iris Townsend, aged 45, of the same address, for a total of two years on charges made after the death in 1980 of the latter's mother, Mrs Lily Townsend, a mentally disordered patient in their care.

The court was told that Mrs Townsend was secretly buried late at night by Legrand; the body lay undiscovered for two years. Her daughter and Legrand continued drawing her pension, defrauding the Department of Health and Social Security of £5,000.

They were also found guilty of ill-treating her. Mrs Winifred Cooper, aged 67, of Dunvedin Place, Hodge Lea, Milton Keynes, was jailed for a total of 12 months. She had admitted preventing lawful burial and obstructing a coroner, but was found not guilty of conspiracy to defraud.

Firemen praise air lance for quicksand rescues

A device developed by a fireman for quicksand rescues was hailed as a life saver yesterday and fire officers now believe that it should be used by all crews in coastal stations.

The "air lance" was used by firemen in Lytham St Anne's, Lancashire, to free Mr Robert Irving, aged 65, after he was caught in sinking sands off the resort's South Pier.

Using the device, compressed air is pumped through the hollow pole, combating the suction of the sand so that the victim can be dragged free.

The air lance, also known as

the sand lance was developed by Mr Clive Sherouse, a part-time fireman, after a boy aged 15 died on the sands last year. It is carried by 17 appliances in the Lancashire area.

Mr Alan Eastwood, an assistant divisional officer, said: "We had used the air lance before only on training sessions but were confident it would work well."

"It has now proved itself and we hope other brigades will be interested in the device. The crews are all trained to use it and we are extremely pleased with its efficiency."

Theatres applaud computers

By Clive Cookson, Technology Correspondent

After waiting in the wings for a decade and a half, computers are beginning to play a significant role in rejuvenating British theatre. At least fifty theatres have installed box office computers since 1981 and the number is likely to double within the next year.

The market leaders are Space-Time Systems, which runs British software on American computers; Ticketmaster, whose software and hardware are American; and the all-British Synchro Systems.

There are two approaches. Space-Time and Synchro both sell in-house computers to improve box office efficiency, while Ticketmaster runs a central bureau with a network of ticket-selling terminals. Space-Time claims that its Box Office Computer System (BOCS) has won 70 per cent of

the British market so far, with 11 installations serving 25 sites and seven more on order for 21 sites. Almost all are in provincial theatres.

The Barbican has the only BOCS in central London. Mr Karl Sydow, its manager, says that the system has never failed completely so he has always been able to sell tickets. (Like its rivals, BOCS has two computers, one on standby to take over if its twin fails.)

Many theatres find that box office computers increase programming flexibility. For example, the Palace Theatre, Manchester, booked the famous opera singer Luciano Pavarotti at a day's notice. It advertised the event on local radio and had sold out the same evening. Such a swift response would have been impossible with a conventional box office because the ticket

could not have been printed in time.

Synchro Systems launched its Box Office Reservation and Information System (BORIS) in 1981, the year BOCS was born. It has only 10 venues so far, including Sadler's Wells in London, and the Royal Shakespeare Company at Stratford. The latest BORIS signing is Arsenal Football Club; Synchro sees sports stadia as a good prospect.

London's commercial West End theatres say that they cannot afford to buy in-house systems. But not all are making do with traditional sales techniques. Some are signing up instead with TMKP, a joint venture between Ticketmaster and Keith Frowse, the London ticket agency. The theatres rent terminals from TMKP, which operates the central computer.

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As the Park Tower is 10 today, we'd like to thank all the people who, over the years, have paid us a visit. Many happy returns.

10th BIRTHDAY

Arafat turns his venom on Libya for backing rebels

From Robert Flek, Beirut

The Revolutionary Council of Fatah, the main Palestine Liberation Organization guerrilla movement, was to meet late last night to consider the mutiny against Mr Yasser Arafat's leadership.

Mr Arafat himself emerged yesterday from a meeting in Damascus of his Central Council with his confidence apparently undented but with some venomous words about the Arab nations - especially Libya - which he claims are backing the Palestinian rebels.

"It is very serious," he said as he came out of the meeting, dressed in a khaki battlesuit but evidently vexed and tired. "It means that the Arab intervention is no longer limited to material support (for the mutineers) but has been translated into action as well." He blamed Libya openly for the mutiny but avoided mentioning the country whose his colleagues privately blame for the dissen - Syria.

Although three of the PLO groups which backed the rebels - the Popular Front for the Liberation of Palestine, the Democratic Front for the Liberation of Palestine and the Palestine Liberation Front - were represented at the Fatah council meeting, Mr Arafat insisted that he retained the support of his guerrillas.

"I know how strong the platform beneath me is," he said. "I am the chairman for the Palestine Liberation Organization, the sole representative of the Palestinian People. I am the commander-in-chief of the Palestinian forces and it is my duty to fight and struggle to preserve the independence of the Palestinian decision."

Mr Arafat is as anxious as ever to demonstrate that he has behind him not only the

support of the Soviet Union but of the radical Arab Nations - excluding Libya and Syria - which the rebels have claimed as allies. The PLO chairman made a point of advertising the fact that a South Yemeni diplomat had attended the Central Council meeting early yesterday morning and had given the support of President Ali Nasser Mohamed to Mr Arafat's leadership of the PLO.

Mr Arafat's opponents, however, are clearly still intent on causing him the maximum embarrassment. Yesterday afternoon Mr Fadi Shrouf, the official spokesman for the PFLP General Command, denied that any attempt had been made over the weekend to assassinate Colonel Ezzedine Sherif (Abu Ziad), one of Mr Arafat's senior commanders. Colonel Sherif, Mr Shrouf said, was wounded while attacking PLO dissidents outside Damascus, one of whom was murdered by Mr Arafat's forces.

In Beirut yesterday, the Lebanese authorities detained two senior PLO men who worked at the Palestine Research Centre, the PLO's information bureau in the city which has been maintained with the permission of the Government here ever since the Palestinian guerrilla evacuation last summer.

Local newspapers speculated that the arrests were connected with the bomb explosion in a car on Saturday night in which two Palestinians were killed.

● **Jeep ambushed:** Two Syrian colonels and a soldier were killed when gunmen opened fire on their jeep near Tripoli, north Lebanon, Reuters reports. Beirut media said Syrian troops immediately blocked roads and intermittent shooting could be heard.

Man in the news

'Shakespeare' to Israel's leader

From Our Own Correspondent, Jerusalem

The selection of Mr Yehuda Avner as the next Israeli Ambassador to Britain is seen as a classic compromise designed to save diplomatic face and overcome the main obstacles which have delayed the filling of this key European vacancy for over a year.

One of his first tasks will be to try to patch up the severe differences in Anglo-Israeli relations, which have deteriorated sharply since the shooting of Mr Shimon Peres last June. The causes of the decline have been Britain's hostility to the war in Lebanon and Israeli suspicions about the Foreign Office's attitude to the Palestine Liberation Organization.

Although closely attuned to the thinking of Mr Menachem Begin, Mr Avner is not connected with any political party and has none of the background in the Jewish terrorist battle against the British which led to Downing Street blocking the appointment of Mr Elhanan Lankin as the number one candidate.

Mr Avner is a career diplomat who was first seconded to the Prime Minister's office by Mr Begin's Labour predecessor, Mr Yitzhak Rabin, impressed by his performance as information councillor at the Washington Embassy - his highest diplomatic posting to date.

A former student of the London School of Journalism and once Israel correspondent of *The Times of India*, Mr Avner has a flair for communications which was quickly noted by Mr Begin, who now refers to him as "my Shakespeare" because of his skillful drafting of the Prime Minister's English-language correspondence.

The appointment is certain to be popular among Britain's Jewish community. Now aged 54, Mr Avner first came here from his native Manchester in 1947 and fought in the siege of Jerusalem before returning to Britain. He came to Israel to settle with his new wife, Miriam, in 1954 - beginning

Mr Avner: The pride of Manchester

with a brief spell on a Galilee kibbutz.

In 1961 Mr Avner joined the Foreign Ministry and first came to Mr Rabin's attention while serving as consul for information in New York. In 1974, after a spell heading the Overseas Press Bureau (then part of the Foreign Ministry), he was seconded as Adviser on Diaspora Affairs when Mr Rabin became Israel's fifth Prime Minister.

It is a job Mr Avner has held ever since. As well as keeping close contact with Jewish communities abroad, he has rapidly moved into the position of one of Mr Begin's most trusted advisers. He is noted for his good contacts inside a right-wing Government which is well known for its suspicion of any Foreign Ministry staff favoured by the previous Labour administration.

● **Proud Family:** Mr Avner is the youngest member of an Orthodox and strongly Zionist Manchester Jewish family, but the only one of seven children to emigrate to Israel. (David Nicholson-Lord writes). Yesterday his family and the Manchester Jewish community described themselves as "tremendously proud" of him.

He was educated at a local elementary school and Manchester Central High School, excelling at English and teaching himself to play the recorder and violin.

Begin faces election threat

From Christopher Walker, Jerusalem

The death on Sunday of Mr Simcha Erlich, the Deputy Prime Minister and leader of the Liberal Party, from a stroke, has led to renewed suggestions that the next general election may have to be brought forward from its scheduled date of 1985.

Mr Erlich was a leading member of Mr Menachem Begin's coalition.

The immediate threat to the stability of the coalition comes from the bitter succession battle expected to break out inside the badly fragmented Liberal Party, which Mr Erlich held together with considerable skill from 1971 until his death.

In an attempt to stave off trouble between the various

warring factions, the Liberal Party's executive will face a resolution today that the consideration of all appointments be postponed until the official month of mourning for Mr Erlich is over.

The Begin Government, whose standing in the opinion polls has suffered sharply in recent weeks, is also facing severe difficulties, both internal and external, as a result of the worsening doctors' strike now into its 112th day without any obvious solution in sight.

Mr Begin intervened personally yesterday as the number of protesting doctors joining in the latest tactic of conducting a hunger strike increased to 1,500.



Fire panic: Several young people were injured at the closing ceremony of the World Youth Cup football competition in Mexico City when a firework ignited more than 100 gas-filled balloons. Match report, page 25.

González looks to Washington for help

From Richard Wigg, Madrid

Señor Felipe González, the Spanish Prime Minister, arrived in Washington yesterday on the most important foreign trip of his first six months in office.

The talks with President Reagan and his senior advisers are an important boost to the international status of Spain's new generation of pragmatic socialists led by Señor González.

There are, however, evident dangers for both parties if either seeks to press too hard for ideological reasons, overlooking the other partner's perceived national interests.

Señor González and President Reagan may both be born communicators, but for the American President to insist on clarification of ambiguities about Spain's military integration into NATO may prove as counter-productive, especially on the Spanish domestic scene, as for the young Prime Minister to restate his demand for the United States to abandon its "negative" leadership role in Central America.

Señor González is also taking Señor Miguel Boyer, the Economics and Finance Minister, with him. More help and understanding from the Reagan Administration for Spain's acute economic problems, symbolized by a worsening trade deficit and a plummeting peseta, is one of the hoped-for tangible benefits from the four-day trip.

Señor González's realism about the United States' world leadership role starts from an awareness of its crucial importance to Spain's economy.

Before his departure, government sources here played down any disagreements over Central America. They understand that whatever Señor González's advice the Reagan Administration is not really prepared to downgrade its involvement.

Spanish officials emphasized the need for good bilateral relations; they even hired the services of a New York public relations consultant in preparation for the visit.

Señor González can remind Mr Reagan that his administration has bought 72 American-made F18 fighter-bombers, secured rapid parliamentary approval for the US bases agreement, endorsed the NATO "twin track" decision on Euro-missiles and postponed a promised referendum on continued membership of NATO, probably until 1985.

He could point out to the Americans that all the public opinion polls show a popular majority in favour of quitting NATO.

The Prime Minister could also tell the Reagan Administration that the Stuttgart summit has not helped him to assemble an eventual EEC plus NATO package to put to the country by committing itself to a date for concluding Spain's EEC entry negotiations.

Rock's defences worry Nato

By Rodney Cowton, Defence Correspondent

Serious concern about Britain's neglect of the defence of Gibraltar is leading military leaders to hope that Spain may be able to improve the defences of the surrounding area.

Sources on Nato's southern flank criticize the lack of surveillance radar, missiles and guns, and the inadequate number of aircraft on Gibraltar, which could command the strategically important Straits.

Generally there is a feeling that Britain is failing to make adequate use of the defensive potential of the Rock, for example for storage of ammunition and other supplies.

There is also concern about the prospects of the dockyard being privatized, and in particular there is a fear that a civilian-

owned dockyard would not be able to continue the present facility for providing maintenance of hunter-killer nuclear submarines, though it is said this could be preserved at the cost of a few hundred thousand pounds a year.

At the Naples headquarters of Allied Forces Southern Europe, Lieutenant-General James Thompson, Chief of Staff, said Britain had under-utilized the defence potential of Gibraltar.

Negotiations are taking place at the highest level which are expected to lead to Spain joining the integrated military command structure after its accession to Nato last year.

Precisely what role Spain will assume remains to be determined, but General Thompson

said that any contribution that Spain could make on Nato's southern front would be welcome.

Any prospect of Spain, as part of Nato, becoming heavily involved in defence of the Straits of Gibraltar, would inevitably become mixed up with the argument between Britain and Spain over the sovereignty of the Rock.

The concern about Gibraltar and the surrounding waters is reinforced by the fact that the main role of the US Sixth Fleet is seen as being in the eastern Mediterranean, where the naval forces of Italy, Greece and Turkey are also concentrated.

This leaves cover by surface naval forces in the western Mediterranean relatively sparse.

Thornhill pilot opted for Pretoria

From Stephen Taylor, Harare

One of the accused in the Thornhill sabotage trial told the High Court yesterday that before the sabotage he had been uncertain about his future in Zimbabwe and had twice visited South Africa, where he was offered a job as a South African Air Force pilot.

After the second visit, Air Lieutenant Neville Weir said, he had been called in by Group Captain David Jones, the commander of the Zimbabwe Air Force base at Thornhill, and told he had been seen outside SAAF headquarters in Pretoria. He had been given two days to decide about his future and had opted to take up the South African offer.

A former member of the Rhodesian SAS who came top of a pilot course in Britain two years ago, Air Lieutenant Weir and five other officers have pleaded not guilty to complicity in the blowing up of 13 aircraft, allegedly by South African agents, on July 25.

The officer, at 24 the youngest of the accused, said he had been arrested two days after the sabotage and four days before his resignation was to take effect. The trial has already heard that a board of inquiry headed by two other accused officers had ordered his arrest to prevent him leaving the country before giving testimony.

Air Lieutenant Weir said his treatment in custody initially had been correct and he had been allowed to see a lawyer. But after signing a statement of exoneration for the board on August 23 conditions changed.

For four days afterwards, until he agreed to make a false confession, Air Lieutenant Weir said he was threatened, assaulted and beaten with a two-foot length of metal pipe while being kept in leg irons and without bedding.

He said his interrogators had emphasized repeatedly that they believed he was a junior officer acting under threats from his seniors. "At the end of the interrogation I had a basic outline of what they wanted me to say."

Earlier Squadron Leader Geoffrey Osborne testified that another accused, Wing Commander Peter Briscoe, had gone out of his way to persuade pilots against leaving Zimbabwe and the Air Force.

The strikes are taking place in 23 Israeli hospitals. The entire medical system again faces collapse as many of the doctors become too weak to carry out the limited roles.

Apart from the effect on public opinion, the dispute has also exposed some of the bitterest divisions inside the Cabinet. After disagreements between Mr Yoram Aridor, the Finance Minister, and Mr Eliazur Shostak, the Health Minister, at Sunday's Cabinet session, Mr Begin is reported to have remarked: "There is no understanding between the two men in charge. This is a tragedy, pure and simple."

Israel's economy, page 5

Kohl garners praise for Stuttgart diplomacy

From Michael Binyon, Bonn

Solemn Declaration, largely the work of Herr Genscher, is dismissed as "almost worthless".

There is no doubt from the effusive praise from the European leaders themselves and from sources close to the German delegation that the Chancellor played a vital role in averting an open breach, in mediating between Mrs Thatcher and President Mitterrand, and in forcing the Ten to compromise on the budget issue.

The Christian Democrats yesterday spoke of the "miracle of Stuttgart", and thanked the Chancellor for the "new impulse" he had given the European Community. Dr Kohl was more cautious in his summing-up at a press conference on Sunday. He said the final agreement was no occasion for jubilation, though it was a step towards better cooperation.

The Germans are mixed in their assessment of the justice of Britain's claim at Stuttgart. They were nervous beforehand that Mrs Thatcher's tough stand might wreck any hopes of salvaging anything from the German presidency, which has been generally criticized as uninspired.

More technical experts get top Peking posts

Peking (AFP) - China yesterday named two new deputy prime ministers. Mr Li Feng, aged 55, an energy expert, and Mr Tian Jiyun, aged 54, a financial expert and long-time collaborator of Mr Zhao Zhiyang, the Prime Minister, it was officially announced here.

The two, nominated by Mr Zhao, were approved by the National People's Congress, China's parliament.

Their appointment was in keeping with Peking's policy of putting younger people, recruited from the country's pool of technical experts, into positions of authority.

Mr Li was Deputy Minister of Water Resources and Electric Power, where he played a key role in talks with Britain and France on the construction of a nuclear power station in the Guangdong region of southern China.

Mr Tian was one of the deputy secretaries-general in the Government and now becomes secretary-general as well as Deputy Prime Minister.

The most important government change announced yesterday concerns the promotion of Mr Song as minister in charge of the State Planning Commission, previously held by Mr Yao Yilin, a deputy prime minister. Mr Song was also appointed state councillor.

Leading article, page 11

Thatcher 'given 1984 Hongkong deadline'

By Henry Stanhope, Diplomatic Correspondent

The Foreign and Commonwealth Office last night refused to confirm a report that China had given Britain until the end of next year to reach agreement over the future of Hongkong.

The report in *Newsweek* magazine said that Mr Deng Xiaoping, the Chinese leader, had warned Mrs Margaret Thatcher that "China will announce its own solution" unless Britain meets the deadline.

The same report quoted reliable sources in London as saying that the Foreign Office had given up hope of retaining even Titular sovereignty over the colony.

A statement by the Hongkong Government yesterday said: "We know of no basis for the views attributed in the report to the Foreign and Commonwealth Office. HM's aim is to seek a solution to the question of the future which is acceptable not only to the British and Chinese governments but also the people of Hongkong."

The threat of a December, 1984, deadline was apparently revealed by Mr Hu Yaobang, the Chinese party general secretary in an interview with *Newsweek*.

Mr Xu Jiatun, China's new chief representative in Hongkong has pledged "very liberal" policies after Peking regains sovereignty over the colony in the 1990s.

The New China news agency quoted him as saying that Peking's policies "will respect both history and reality. Our specific policies will be very liberal." He was addressing the National People's Congress.

Talks between British and Chinese officials opened in Peking after Mrs Thatcher visited China and Hongkong last September, since when they have been surrounded by rumour.

British diplomats last night were anxiously emphasizing the need to keep the discussions confidential. "Private diplomacy" was the name of the game, according to one source.

He added that China was pledged to maintain Hongkong's thriving commerce, an aim which could not be achieved by anything other than a mutually acceptable treaty.

Ten Bahai women hanged in Shiraz

By Michael Coleman

Ten Iranian women of the Bahai faith were hanged in secret in the city of Shiraz on Saturday, Bahai sources in London learnt. They were aged from 18 to 54 and included a mother and daughter.

Two days earlier, six Bahai men were similarly executed in Shiraz. The 16 victims were of a group of 22 Bahais condemned to death in February and under pressure since then to renounce their faith and embrace Islam.

The pressure consisted of four long interrogation sessions including beatings, relief from which could be gained only by signing prepared statements. Apparently, none of the 22 succumbed.

US wants Russia to buy more grain

Moscow - Soviet and American officials have begun two days of talks on a new long-term grain agreement. The current agreement runs out at the end of September, and commits the Soviet Union to buying six million tonnes of grain a year, with an option on a further two million, Richard Owen writes.

The Reagan Administration has indicated it would like the Russians to set a higher import figure in future.

Russia has had four poor harvests in a row and grain statistics are no longer issued. The latest Western estimates suggest that this year's harvest will leave a 30-million tonne shortfall, an improvement on last year's figure of 180 million tonnes.

Tennis star on Mitterrand tour

Paris - President Mitterrand yesterday began an official two-day visit to the former French West African colony of Cameroon, accompanied at his own request by Yannick Noah, the Cameroon-born tennis star, who now has French citizenship, Diana Geddes writes.

It is Mitterrand's fourth official visit to black Africa since his election two years ago. Trade will be one of the main topics between M Mitterrand and President Paul Biya.

Malta judge frees Briton

Valletta - A Maltese magistrate ruled yesterday that the detention of Mr Anthony Price, a Welshman aged 20, was an illegal arrest and ordered his immediate release.

Mr Price had been held without charge since April 13, on suspicion of plotting to kill a Cabinet minister.

Mauritius poll

Port Louis (AFP) - General elections will take place in Mauritius on August 21, four years ahead of schedule. Mr Anerood Jugnauth, the Prime Minister, announced. After a year in power, the Prime Minister no longer had a parliamentary majority.

Mutiny quelled

Loyalist Ghanaian troops have quelled a mutiny by dissident soldiers, sealed the country's borders and taken control of all strategic points, according to Flight Lieutenant Jerry Rawlings, Ghana's ruler, in a radio report monitored in London, Reuters reports.

Opium seized

Bangkok - More than 300 kilograms of opium were seized here in one of Thailand's largest drug hauls. Policed said the drug was destined for Malaysia for processing into heroin.

Atom pilot dies

Robert Lewis, co-pilot of the B29 bomber that dropped the first atomic bomb, who has died of a heart attack, aged 65. The bomber, Enola Gay, was used to destroy Hiroshima 38 years ago. The photograph was taken in 1945.

Obituary, page 12

Shuttle turned into space laboratory

From Trevor Fishlock, New York

The space shuttle Challenger became a space laboratory yesterday when the five crew switched on most of the 21 experiments on board, a pioneering step towards the eventual building of a space station.

American industry and scientific bodies are increasingly interested in carrying out research and manufacturing processes in the unpolled, weightless vacuum conditions of space. The experiments on board Challenger involve metals, crystals and drugs.

Two communications satellites, for Canada and Indonesia, have already been launched.

Challenger and its crew, on the seventh shuttle flight of the present programme, are performing "exceptionally well" according to mission control.

It will be the first shuttle landing there, and this will help to save the time and money involved in transporting the spacecraft from the usual landing place in California to Florida.

● **JAKARTA:** The Indonesian satellite Palapa B1, launched on Saturday made its first contact with a ground station at Cibinong, West Java, yesterday, 12 hours and six minutes after being ejected by Challenger.

Banked protection money led to Camorra arrests

From John Earle, Rome

Most shops in Naples had to pay monthly protection money to the Camorra gang of Don Raffaele Cutolo, according to the investigators who last week mounted the biggest round-up of underworld figures since the Second World War netting nearly 300 alleged members of the Neapolitan version of the Mafia.

The magistrates directing the operation are reported to be studying a list of 26,000

shopkeepers, businessmen, professional men and artisans who were expected to make "voluntary contributions" each month to the Naxos Camorra Organizzata (New Organized Camorra), as the Cutolo organization was called.

The country-wide round-up, which led to the arrest among others of a leading television personality and the president of the first-division Avelino Football Club, was ordered after

examination of the accounts of 98 firms, of 1,400 individual bank accounts, and of suspicious payments totalling 3,500 billion lire (£1,520m) deposited with banks in the Naples area between 1980 and 1982.

Though the press has spoken of 356 arrest warrants, the Naples authorities say the number is nearer 900, while they have issued notifications to a further unspecified number of

people that they are under investigation.

● Two Turkish magistrates yesterday ended a week of questioning Mehmet Ali Agca, the Turk who tried to kill the Pope in St Peter's Square two years ago. They revived permission to interrogate him about the earlier murder of a Turkish journalist, Abdi Ipekci, in Istanbul, for which a Turkish court condemned Agca to life imprisonment.

Prisoners of conscience



Russia: Father Gleb Yakunin

By Caroline Moorehead
Father Gleb Yakunin, a priest of the Russian Orthodox Church, has been held in labour colony 389/37 in Perm since March, 1981, serving a five-year strict regime sentence to be followed by five years of internal exile. He is charged with anti-Soviet agitation and propaganda.

As a young priest, Father Yakunin came into conflict with the Orthodox Church for criticizing its subservient attitude towards the Soviet state. He was expelled from the parish where he had been serving as a priest.

After this began an increasingly outspoken life as a dissident, despite warnings from the KGB. Father Yakunin protested publicly on several occasions violations of the religious rights of Soviet citizens, and in 1976 he became one of the founders of the unofficial Christian Committee for the Defence of Believers' Rights.

In August, 1980, after a long period of interrogation and investigation, Father Yakunin came up for trial in Moscow. Soon after arriving in the Perm labour colony in the Urals, he joined with other prisoners in a hunger strike against prison conditions. Later in the year he went on another hunger strike, this time in protest at confiscation of his Bible.



Father Yakunin: Outspoken life as dissident

Israel's economy, part 2: Inflation nightmare begins to bite at last

Prices go crazy but so far there are no dole queues

"After more than four years of triple digit inflation, most countries would be on the verge of a military coup", an Israeli financial commentator said recently. "The remarkable thing about us is the complacency with which we treat what Europeans would regard as the ultimate economic nightmare."

The most graphic indication that the era of complacency might be drawing to a close came last month when the Government was forced to shut the border with Egypt in an effort to prevent the country's 8,500 striking doctors from seeking sanctuary in Sinai.

Like all other salaried employees, Israeli doctors receive a built-in pay rise every three months amounting to roughly 65 per cent of the increase in inflation. In addition, they have been awarded a 22 per cent pay rise as part of a two-year agreement negotiated centrally for the public sector.

But this is still not sufficient to stop them threatening to cripple the health service in support of a 100 per cent pay claim.

One cause of the growing discontent over pay has been the recent erosion in real wages in the face of escalating monthly inflation, which reached a record level with April's 13.3 per cent rise. In the face of ever-accelerating price rises there is a danger that the finely balanced three-monthly indexation system could collapse, leading swiftly to economic anarchy. A concession to the doctors is being resisted so stubbornly because of fears that the treasury could be submerged in an avalanche of wage demands.

It is not only wages which are indexed: savings, taxes, insurance schemes, pensions, and

Christopher Walker, Jerusalem correspondent, continues this series of three articles with an examination of the effects of inflation. Part one appeared on our features page yesterday.

the rate of interest on government bonds are all linked to the cost of living index calculated by an army of bureaucrats. It is given pride of place on local news bulletins when it is announced on the fifteenth of each month.

In addition to this inbuilt protection, the ever resourceful Israelis have explored many other ways of combating an inflation rate which, according to Mr David Nordell, a financial journalist, means that holding shekels is the equivalent of a Londoner tearing up pound notes. The most popular way of trying to stay ahead is investing on the Bursa. The Tel Aviv stock exchange, often described as the national casino.

Even those Israelis who do not benefit from the linking of wages, such as the self-employed, are less disturbed by the reality of 145 per cent inflation than the politicians abroad who rail against the inequities of inflation might imagine. "It is like a war wound. It is a nuisance but you eventually learn to live with it", Mr Meir Levisohn, aged 48, a Jerusalem tobaccoist, said.

Mr Levisohn, the father of four children who supports no particular party, is also a guide who takes Israelis on organized tours to Europe. "The situation here is much better than in England. We may have crazy prices but we do not have the

dole queue". He said proudly.

His wife Yehudit pointed out that Israeli prices have become so meaningless, people have stopped talking about them.

Resentment about inflation is much greater among the 700,000 Palestinians living in the occupied West Bank.

"It would be bad enough if it were the fault of your own government, or even your own people," Mr Ragheb Izzat Waary, an East Jerusalem barber said angrily flourishing a 1983 Israeli income tax demand for 100,000 shekels (£1,500). "When it is imposed by an occupier, you become even more bitter."

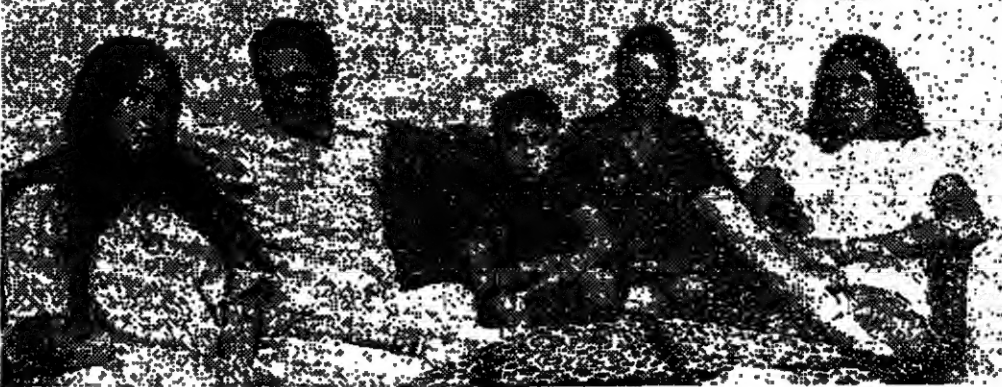
Mr Waary, with nine children of school age, claimed to have no savings left from his modest annual income which is supplemented by a relative working in the Gulf.

For the Palestinians, as for the Israelis living a few hundred yards away in west Jerusalem, an increasingly large part of daily life is now devoted simply to maintaining the value of any cash at hand.

Tomorrow: Labour's answers



Mr Waary: Nine children, no savings and an income tax demand to meet



Mr Levisohn and family: "We don't have the violence and vandalism which go with unemployment"

Sovereignty hampers air fare cuts

From Michael Daily, Transport Editor, Geneva

There will be no breakthrough on European air fares despite new moves at the EEC and the European Parliament experts from the International Air Transport Association (Iata) said here yesterday.

The most to be hoped for is more bargain fares between European cities as an evolving EEC air transport policy introduces more flexible pricing policies.

But cut-throat competition and big fare cuts on American lines are not on the cards in

Europe, primarily because of the jealous preservation of national sovereignty by European state. Mr Kaut Hammarjöld, Iata director-general, said.

The Thatcher Government may favour staff cuts at British Airways, but so long as the Mitterrand Government wants Air France to keep staff to help unemployment, pressure to lower fares to match lower costs will be resisted.

High air fares in Europe are a matter not so much for Iata or

the airlines but for national governments, Mr Hammarjöld said. When it comes to negotiations over cheaper fares "blood is thicker than water, sovereignty is more powerful than idealism".

The new noise regulations in 1985-86 could "push some airlines against the wall", Iata says.

Out of 6,000 aircraft some 1,500 aircraft will be made redundant by the noise regulations and other technical advances.

Poisoned shrimps silence Huelva's seagulls

Huelva has gone strangely silent since the cry of the seagulls. Harry Debelius writes from Madrid. Hundreds perished after feasting on a mountain of shrimps tipped at the city dump after being declared unfit for human consumption and confiscated by public health authorities.

The shrimps had been treated with boric acid, a preservative long banned in

most of West Europe but only recently added to the prohibited list in Spain. A representative of the Ministry of Health ordered insecticide to be sprayed on the shrimps so that they could not be sold.

Senator Juan Gil Zamora president of the Huelva Society for the Protection of Animals and Plants, said that a search of marshland near the city found only a dozen gulls.

Coalition leaders in Italy fall out

From John Earle, Rome

Public bickering between the secretaries of the two main government parties, Signor Ciriaco de Mita (Christian Democrats) and Signor Bettino Craxi (Socialists) had enlivened the last stages of an otherwise lacklustre seven-week campaign for Italy's general election next Sunday.

Signor Craxi, who hopes to become the first Socialist Prime Minister, proposed last week a three-year pact for collaboration in government between his party and the Christian Democrats.

Signor de Mita immediately rejected it, comparing the proposal to an agreement in a Western film to divide the booty. Signor Craxi retorted that this reaction was insolent and irresponsible.

The government parties' image has not been enhanced by recent acts of the judiciary. First, the Socialist regional premier of Liguria, who has resigned to stand for the Chamber of Deputies, was arrested with a group of his collaborators on corruption charges, apparently in relation to the issue of building licences.

Then, at the end of the last week, several Christian Democrats and Social Democrats in the Naples area were among nearly 900 people sought in the massive round-up of the Camorra, as the Mafia is called there.

Both the Christian Democrats and Socialists, furthermore, are fielding several candidates whose names were on the list of alleged members of the secret and now-banned P2 Masonic lodge.

This focus on the shadier side of political life prompted Signor

Enrico Berlinguer, the Communist Party secretary, to urge in a leading article in the party organ *L'Unità* that Roman Catholics should vote for his party if they wanted a real change of direction towards an Italy "more clean and more just".

Nevertheless, no one predicts a landslide move in any direction. The only practical choice is expected to be between the same parties which have provided coalitions for more than 20 years: Christian Democrats, Socialists, Republicans, Social Democrats and Liberals.

There is widespread fear that recent events will encourage voters to stay away from the polls or return blank papers.

Electioneering so far has concentrated more on personalities and possible formulas for government than on concrete issues. All parties admit that the economic crisis is serious and pay lip service to the need to reduce inflation, but the two main government parties have different approaches on how to do so.

The Christian Democrats, at least on paper, call for rigour and austerity, while the Socialists support a greater degree of inflation and a quicker reduction in interest rates which, for many borrowers, are still about 24-25 per cent.

The statistics carry a grim message for whatever government emerges. Inflation is still about 17 per cent instead of a targeted 13 per cent. The lira, which two years ago crossed the exchange level of 1,000 to the dollar, is now more than 1,500.

Industrial production fell last April, on a 12-month basis, by 14.2 per cent.

CND pleads for East's barred peace groups

By Our Foreign Staff

More than 60 Britons have flown to Prague to attend a peace assembly organized by the Soviet bloc that is expected to attract more than 2,000 delegates and observers to Czechoslovakia.

The six-day World Assembly for Peace and Life against Nuclear War, which opens today, is expected to be attended by representatives of "official" Soviet and European peace committees and representatives of West European, United States and Third World peace movements. Members of

the "unofficial", independent Soviet bloc peace movements are not expected, however, to be allowed to attend.

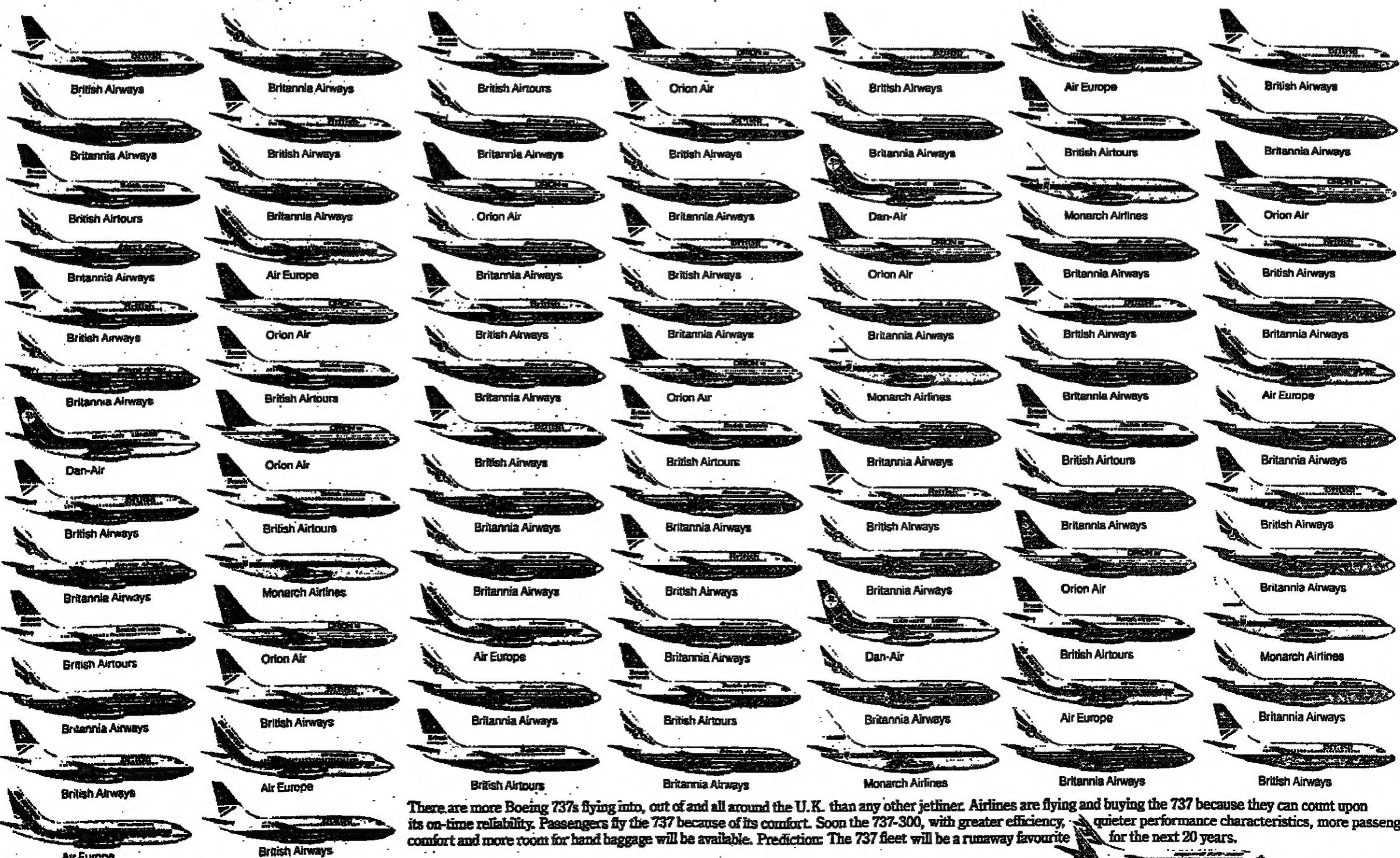
Organized with the support of the Soviet-backed World Peace Council, the assembly will hold workshops and plenary sessions, roughly on the lines of the European nuclear disarmament convention held in Berlin last month.

The British Campaign for Nuclear Disarmament (CND) is sending two official observers to the conference.

Dissident view, page 10

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The largest fleet in the U.K.



BOEING
Getting people together

SPECTRUM

In this extract from the first biography of Vladimir Horowitz, Glenn Plaskin describes the pianist's initiation into the Toscanini family

A musical marriage



Horowitz and Wanda shortly after their marriage in December 1933

On October 3, the day of his first rehearsal in Copenhagen, Horowitz told the Malkos that he had finally decided to marry, and he showed them a photograph of his intended, keeping her name a secret. In his schoolboy way, he teased about how surprised they would be when they learned his fiancée's family background. Her father was terribly famous. Two days later, he could contain his excitement no longer and announced to the Malkos that his bride was none other than the daughter of Arturo Toscanini. He told everyone he knew that he felt as if he were 18 years old, that everything seemed new to him, and that it was the first time that he had felt anything at all for a woman.

Many close friends of the period were surprised by Horowitz's decision, though delighted for him. They could not, however, help noticing his ambivalence and anguish as he tried to accustom himself to the prospect of marriage. For Horowitz had grown used to and content with his male friends. Once, he shyly asked intimates if they had heard rumours that "he fancied men?" Then, in a devil-may-care but aloof manner, he exclaimed, "Well, let them talk!" - and pointed to his male secretary, who had travelled with him for the past six years. The secretary empathized with Horowitz,

for he was also engaged to be married. Travelling together, the two husbands-to-be would put pictures of their respective fiancées on their nightstands and shake their heads in self-mocking disbelief before turning in.

In just, Horowitz would flirt with Berthe Malko, complimenting her on her clothes, chattering away criticizing other women they knew, all the while being, as she saw it, "charmingly egocentric." "Women are too feminine and I don't like them," he told her once, suddenly erupting into self-conscious giggles as if not believing what he had just said. Among friends, Horowitz had acquired a reputation for having a roving eye, and even as he told the Malkos about his future wife, he couldn't help flirting with one of Malko's conducting students, a bright young man named Hans Schroeder, who was part of the supper party that followed Horowitz's performance of the Rachmaninoff Concerto. As he talked to Schroeder, he became animated and his eyes seemed to light up.

On October 8 the Toscanini family formally announced the engagement, and the Maestro privately suggested to Horowitz that he and Wanda travel together in England as a sort of trial run. This idea may have seemed logical to Horowitz because, in a state

of confusion about his feelings toward Wanda and the marriage, he was still hesitant to take the plunge. "Maybe I shouldn't get married," he would say to friends. "But then again, Wanda knows I'm a little perverse, and she wants to try anyway. She has been in love with me for the past four years." About his own affections, he would respond: "I'm not in love. I can't love anyone. I love the piano."

On November 2, Horowitz and Wanda arrived in London for his "celebrity tour" of England and Scotland. Young unmarried women then did not travel alone with a man, so Wanda's sister, Wally, agreed to chaperone the couple.

The tour was not only a professional success but, despite fears and misgivings, Horowitz and Wanda enjoyed their time together and decided to go ahead with the marriage.

Many of Horowitz's friends believed he would cancel the marriage at the last moment. Others, familiar with the situation, predicted, according to Wanda, "that the marriage wouldn't last three weeks," but she was determined to prove them wrong.

A sympathetic friend pointed out the practical advantages of the match, noting that "from the start, Wanda and her father understood that Horowitz was an exceptional creative genius, and all three respected one another. They knew an enormous amount about how the music business worked and each recognized the other as an asset in what was to become a marvellously effective family machine." Horowitz would not have denied that he expected to learn much from Toscanini. Years later, in a rare reflective mood, he said, "Wanda made a man out of me - and her father made me a musician."

At the end of Horowitz's autumn season in Europe, four days before Christmas 1933, the fateful day arrived in Milan. None of Horowitz's family attended. Standing beside the Maestro were Caria, Wally and her husband, Count Castelbarco; Wanda's brother, Walter, Milstein, Platiorsky, and a few other close friends. The event turned out to be satisfyingly "spontaneous" because of Horowitz's poor Italian.

The celebration afterward was also short and simple, and then there was little time for a proper honeymoon since Horowitz had immediately to begin preparations for an American tour.

Musically the marriage seemed to agree with Horowitz, for some of his harshest critics were impressed by his growth that season. In February his performance of the Brahms B-flat Concerto with the New York Philharmonic under Hans Lange was coached by Toscanini himself.

As Horowitz had hoped, the Maestro now took an interest in all of his major appearances. The pianist was completely under the conductor's spell and since his playing seemed to have new depth, it almost seemed as if Horowitz had gained something of Toscanini's mastery by marrying his daughter.

Tomorrow: The year that changed Horowitz's life.

moreover...
Miles Kington

A mower for all seasons

What kind of lawn mower should one get? A lawn mower represents a considerable investment, second only to the house, car, family TV or a theatre night out in the West End, so it is very important to choose the right one.

Here is a consumer's guide to the most popular types on the market.

Petrol-driven Heavy Duty. The traditional king of the lawn, now available in many colours and stylings. The ordinary family would be quite happy with the saloon model, while younger buyers might prefer a yellow or red sports model, which can only deal with light grass, but which is guaranteed to overtake anything else on the lawn. If you do a lot of driving between London and the country, it probably makes more sense to think of an estate model lawn mower: there is ample space in the back for half a ton of grass cuttings to take down to your Wiltshire cottage.

Hovermower. The new, very successful type which rides on a cushion of air. Advantages: quick, fun, goes equally well over grass, sand, sea and main roads, aerates the grass. Disadvantages: is dangerous in stormy or foggy conditions, even with a fog-horn; is very noisy, especially with a fog-horn; has little luggage space and deflates any insect it passes over. Ideal for smooth conditions; not so good on choppy grass or lawn with a heavy groundswell.

Alliance Mower. The makers of the new Alliance mower consider that the world of lawn mowers has for far too long been polarized between the petrol people and the hover people. "They have turned the laws of our country into a battlefield on which to fight out their ideological wars, and the consumer is the loser," says their manifesto, *A New Deal For Grass*. Their new, moderate and compromise machine aims to combine the best features of both, and to use petrol to form a cushion of air. Or to use air to provide a cushion of petrol - it isn't quite clear yet. Either way, they hope to break the mould of mower-making, or at least be featured on *Nationwide*.

Allegro Maestro. The bright new hope from British Leyland's garden division, creator of the Grass Rover and the Sierra Nevada. Unfortunately the factory which produces this potential Eurowinner has been closed by a strike since launch day and no one has seen one.

Endowment With Profits Life Mower. A new 25-year model with combined life insurance and anti-inflation hedge; an extra attachment provides anti-hedge inflation. It crosses a basket of unit trusts with an exciting lawn insurance scheme and free strawberry teas at age 60. "We think this is a real winner," says top salesman Reg Winter. "Perhaps I could call on you at your home and explain it to you, then get you to sign lots of forms?"

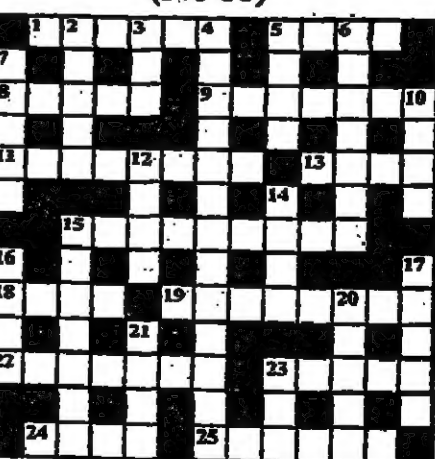
Starfighter Mower. An American-based long-range mower which, if the promotion literature is to be believed, uses a derivative of napalm. It is very effective against insects, dogs, cats, neighbours and nearby houses. Against grass unfortunately, it does not seem so effective. The German Grasswaffel, who have adopted it as their main mower, report that it tends to crash as soon as it is switched on; otherwise they are very pleased with it.

Mitsubishi Digimower. A new Japanese concept which computerizes the profile of your lawn and then mows by itself. It finishes by cutting the grass into exquisite patterns, a concept of gardening for which the West is perhaps not quite ready. It guarantees not to cut down trees, an important consideration when you remember that the average Japanese tree is two and a half feet high.

Brideshead Revisited Lawnmower. This comes in two parts: a long-handled scythe and an elderly family retainer. The results are the best of any mower, but the expense of housing the retainer in a separate dwelling on the estate may deter some more suburban users. Channel 4 are broadcasting an instruction series to go with it.

California Grass Harvester. This ingenious device claims to cut the plant when it is ready for smoking and to roll into hand-sawed joints, a claim made, as far as I know, by none of the other machines under review.

CONCISE CROSSWORD (No 86)



- ACROSS
- 1 Gunman (6)
 - 2 Sound (5)
 - 3 Remuneration (3)
 - 4 Redirection (13)
 - 5 Series of cogwheels (4)
 - 6 Feminine (7)
 - 7 Child's toe (5)
 - 8 Ice cream (4)
 - 9 Informer (4)
 - 10 Celestial object (4)
 - 11 Boost (3)
 - 12 Disfigurement (4)
 - 13 Heavy (5)
 - 14 Kinship (5)
 - 15 Insult (4)
 - 16 Grass (3)
- DOWN
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 - 2 Sound (5)
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 - 6 Feminine (7)
 - 7 Child's toe (5)
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 - 10 Celestial object (4)
 - 11 Boost (3)
 - 12 Disfigurement (4)
 - 13 Heavy (5)
 - 14 Kinship (5)
 - 15 Insult (4)
 - 16 Grass (3)

SOLUTION TO No 85
ACROSS: 1 Dilapidated 9 Outcome 10 Aside
11 MPs 13 Oven 16 Tour 17 Onrush 18 Eggs
20 Geum 21 Bolero 22 Suet 23 Than 25 Pus
26 Exile 29 Paprika 30 Crematorium
DOWN: 2 Isile 3 Amok 4 Idem 5 Alas 6 Episode
7 Concomitant 8 Detrimental 12 Pusher 14 Nod
15 Ornola 19 Atelier 20 Got 24 Husher 25 Fern
26 Spot 27 Spar

FINDINGS

A series reporting on research
MUSIC

Was Liszt kissed?

Did Beethoven kiss him, or not? Alan Walker, in his outstanding Liszt biography out this month from Faber, conducts an exhaustive investigation into the controversy over whether Beethoven conferred a physical embrace upon the 11-year-old Franz. Walker comprehensively destroys the image, depicted in a famous lithograph, of Beethoven clasping the little pianist to his bosom after a triumphant concert. The evidence is conclusive that the deaf old master stayed away from the prodigy's public performance in Vienna.

Nor was Beethoven complimentary about Liszt when the boy called on him at home. "The little fellow's improvisations don't amount to much," he carped in the *Conversations* Books he employed to communicate with visitors. Nonetheless, Walker is prepared on balance to accept Liszt's testimony that "Beethoven consecrated my brow with a kiss," apparently at this meeting. Whatever the truth Liszt simply repaid the benediction. He made it his mission to propagate Beethoven's art and was principally responsible for the erection of a statue in his home town, Bonn. He helped make the symphonies accessible to home listening by transcribing some of them for the piano, and tirelessly expounded the late sonatas before a largely reluctant public.

Secret letters of love

The sex life of Alban Berg has been exciting musicologists for almost a decade, ever since it became known - after the death of his aged widow, Helene - that, for the last 10 years of their seemingly ideal marriage, the austere Berg was waging a passionate affair with a Prague hostess, Hanna Fuchs-Robettin. Helene did not find out until after her husband died in 1935: the shock of discovery is thought to have prompted her to ban the completion of the last act of Berg's violently erotic opera, *Lulu*.

When intimations of Berg's intimacies reached scholarly ears, there began a fundamental reinterpretation of his later works. The third movement of the *Lyric Suite*, for example, was found to have been built on an intertwining of the lovers' initials. The notes A, B (flat) and H (B). The repeated coincidence in the work of the figures 23 and 10 was also explained. Berg, a firm believer in mystical numerology, held 23 to be his fateful number; 10, therefore, had to represent Hanna.

The figures 23 and 10 have now been found intertwined again in the violin concerto, written as Berg lay dying of blood poisoning sustained from an insect bite. Ostensibly, the concerto is dedicated to the memory of Manon Gropius, teenage daughter of Gustav Mahler's widow, Alma. But two Berg scholars, Douglas Jarman and George Perle, claim to have unravelled a secret programme which shows the concerto to represent Berg's love for Hanna. The two meanings are not altogether unrelated, since Hanna was the sister of Alma's third husband, the novelist Franz Werfel, and there is some evidence to suggest that Alma acted as go-between for the lovers.

Explosive co-production

That inveterate Alkan excavator Ronald Smith, now working on the second volume of his resurrounding biography of the French piano composer, has discovered a new cadenza for Mozart's D minor concerto, K466. "Like most of Alkan," says Smith, "it is explosive, and has probably not been played for a century."

It would make a strong concert programme beside Beethoven's C minor concerto in the Alkan version, which unpredictably transforms the concerto's opening theme into the finale of the Fifth Symphony. When

it was last heard in public in 1906, in Wilhelmian Berlin, played by Ferruccio Busoni - this Franco-German co-production provoked a major scandal.

Diva in distress

A discography of the art of Dame Joan Hammond is being prepared by Gramophone magazine as part of the British effort to relieve the diva in distress, having lost all her possessions in the Australian bush fire. Remarkably, it demonstrates that a single folksong is the only item still available from the 86 records she made for EMI. It is her very first recording, "The Green Hills of Somerset", accompanied by Gerald Moore and released in 1941. What, ever, I wonder became of "O My Beloved Daddy", the Puccini aria that sold one million copies in wartime?



Tchaikovsky

Variations varied

"Look what he's done to my piece - he has altered everything," bewailed Tchaikovsky when the manuscript of his *Variations on a Rocco Theme* was returned to him by its first performer, one Wilhelm Fittengagen. "The devil take it," exclaimed the composer, "let it stand as it is!"

And so it has for 106 years,

becoming nonetheless one of the most popular concert works for cello and orchestra. However, a British virtuoso, Raphael Wallfisch, has just made a premiere recording of Tchaikovsky's original score, revealing an unsuspected eighth variation and unfolding a schematic structure utterly demolished by Fittengagen.

The disc is the fourth in a series by a small record company, Chandos, and a Dallas-based Australian conductor, Geoffrey Simon, aimed at examining Tchaikovsky's first thoughts and exploring his forgotten works. It has succeeded already in establishing the original versions of the second symphony and Romeo and Juliet, overruled as credible alternatives to the familiar editions.

"The left has all the best artists," declares a socialist acquaintance. Perhaps in other arts, we reply, but not in music. "I am a socialist," Mahler once spoke of voting for a Social Democrat and eastern bloc composers have been inspired under varying degrees of official ex to produce communist cantatas. But, apart from hard-left modernists such as Hans Werner Henze and Luigi Nono, few twentieth century musicians of note have been tempted by Marxism.

"What about Kurt Weill?" shouts a heckler. Well, it is becoming increasingly apparent that the composer of *The Threepenny Opera* was generally out of sympathy with his leftist collaborator, Bertolt Brecht. The latest recording of *The Seven Deadly Sins*, the work that ended their uneasy six-year partnership, departs radically from the off-key agit-prop delivery espoused by Lotte Lenya for heavy social messages. "People have been amazed to hear us playing his piece with a proper orchestra which plays in tune," says Simon Rattle.

Lenya herself heaped scorn on Brecht's show-off socialism. She recalled that when Brecht came to stay with the Weills, he transformed their comfortable guest room into a monastic cell, taking down the curtains, rolling up the rug and replacing the picture on the wall with a red star. "Kurt said: 'I'm not interested in composing Karl Marx; I like to write music,'" said Lenya.

Norman Lebrecht



— an occasional commentary
on Important Events — Henley Regatta

Henley's such fun for the men, isn't it, Vanessa? They dress up like refugees from an Old Time Music Hall, and spend the whole afternoon jumping up and down on the towpath shouting incomprehensible things at the crews. I don't know why they bother - nobody takes the slightest notice.

But all that fresh air and exercise gives them a terrific appetite, so it's just as well we've got a hamper from Fortnums. Henry dear, do stop shouting and come and open the champers.

What's the matter, Henry? Caught a crab? There's really no need, we've got plenty here, with luscious York ham to follow. And, of course, strawberries. One simply must have strawberries at Henley. Apart from anything else, they go so well with Henry's blazer, don't they?

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FASHION by Suzy Menkes

Invitation to the Dance

Ballet is the stuff that Midsummer Night's dreams are made on. There is a romantic streak in the English character that blossoms out in rosebuds and tulle so that an invitation to the dance becomes a reason to recreate a Pegasus painting.

This summer, dance is a "hot" subject, with the Royal Ballet's Leslie Collier, Bryony Brind and Wayne Sleep starring on television in the *Hot Shoe Show* and Channel 4 exploring modern dance. The dance centres are the mushroom growth of the decade with the Dance Centre in Covent Garden processing 1,000 students a day and the two London Pinnacles studios now boasting a total membership of 25,000.

The last bout of balletomania was in the 1940s, when new British ballets were presented by the Ballet Rambert and Sadlers Wells was at its zenith. Fashion took up the ballet theme as a design motif that lasted into the next decade. The current craze for the fifties has helped to bring back the priests of twisting tutus, ballerina brooches and patterns of graceful Degas dancers round neckline borders.

The post-war appetite for ballet was a search for escapism, according to Revis Miller in his study of the decorative arts of the forties and fifties (*Austerity Binge*, Studio Vista). But the romantic style of dressing seems to be a perennial fashion escape route.

David Fielden, whose small King's Road shop is a froth of snow-white net and lace, drew his inspiration directly from the ballet. He is a Yorkshire farmer's son who first studied theatre design in Birmingham and then joined the Ballet Rambert at the creaky age of 21, when he claims that he didn't know a *plié* from a *pas de deux*. He rose rapidly after a competition win for choreography in Paris and a season with the Ballet Contemporain in Verona. But his ballet career ended with the realization that finding constant work as a dancer or choreographer was difficult. He first collected and sold antique lace then from 1977 made his business as a dress designer.

"I was a very emotional dancer," he explains. "My movements came from feeling as opposed to a technical vocabulary. And because I am a visual person, I used my eye to pick out clothes. With my background, I know that my designs have a certain theatrical sense."

A grand entrance down the aisle is the most likely role for David Fielden's romantic creations. The shop is really a studio where brides come for a design service which includes headresses and trappings. Fielden's favourite feeling is for the flower, with the storked or organza dress cut in overlapping petals or rose buds gathering up the folds of paper tulle. He



Above right: *Spencer de la Rose* in silk tulle and tulle dress with ruffled satin bodice and tulle skirt. 2,150 from Chelsea Design Company, 65 Sydney Street, SW3. Floral choker 241 from David Fielden. Rosebud embroidered satin ribbon ties on shoes by Offray from Liberty, Dickens & Jones. Satin ballet shoes from Anello and Davide. Man's brocade tunic from Berman & Nathan. Tights and ballet pumps from Anello and Davide.

Above left: Nutcracker Sweet in fondant pink Degas dress with ruffled satin bodice and tulle skirt. 2,150 from Chelsea Design Company, 65 Sydney Street, SW3. Floral choker 241 from David Fielden. Rosebud embroidered satin ribbon ties on shoes by Offray from Liberty, Dickens & Jones. Satin ballet shoes from Anello and Davide. Man's brocade tunic from Berman & Nathan. Tights and ballet pumps from Anello and Davide.

Photographs by NICK BRIGGS

Hair by PETER at Daniel Galvin

Make-up by LESLEY CHILKES for Clinique.

still uses a lot of lace which he understands because of his time in antiques. Although the general impression is that you can have any colour as long as it is white, he uses fondant-coloured underskirts for ball gowns and the ballet length

skirts and lace trimmed blouses are sold as evening outfits. (Prices from £300 to £650).

Ballet inspiration appears elsewhere this summer, with Catherine Walker of Chelsea Design Company making a series of ballerina slip dresses in

satin and Degas dresses made in tulle. Street fashion makes its own homage to the dance with net petticoats worn over leotards as a statement of style and the ballerina pump as favourite footwear.

SPRING IN THE STEP

One of the winning roles of Elizabeth and David Emanuel is as stage designers - from the romantic pantomime clothes for *Cinderella* last Christmas, to the striking ballet costumes for Wayne Eagling's experimental workshops.

Eagling and the delicious Bryony Brind are personal friends of the Emanuels, who are both ballet enthusiasts and whose earliest fashion collections were inspired by Balst and the Ballet Russes.

Elizabeth describes their design work for the Royal Ballet's choreographic group as

"a marvellous opportunity and a way for us to learn." Because dance design demands comfort and ease of movement, they moved completely away from the puff-ball skirts and flounced sleeves that were the Emanuel handwriting - especially for the royal wedding dress.

"Ballet design is really most successful when it reflects and magnifies movement," says Elizabeth in the glossy new book "that is an exposition of their work."

The bold, brown costume (left) decorated with fringing to look like animal bristles, was designed for Wayne Eagling for his ballet "Deadlier than the Male". A fantastic elaboration on the Spectre de la Rose produces some of the most

Down by the Riverside, Molissa Fenley is working out in preparation for her hour-long marathon of modern dance movement.

The 28-year-old American has choreographed her own ballet, *Eureka*, and developed for it her extraordinary body - tiny, taut and exuding muscle power.

"I am comfortable with my body," she says of the strength she has built by weight-lifting and athletic training. "I do contemporary dance with both 'masculine' and 'feminine' movements. I do not accept the romantic view of ballet when the choreography is designed to let the men do the big movements and the bravura - and then lift up the woman on to a pedestal."

For her contemporary choreography, Molissa Fenley has had to create her own costume - a square-cut top and trousers with a stripe that echoes the primitive beat in the music. "The design of the armpit is deliberately cut square so that you see some of the ribcage and the breast," she says. "It is architected as a window on the body."

Molissa has talked to Rei Kawakubo of Comme des Garçons about dress for her dance. The costume for *Eureka* is designed by another oriental spirit, the Korean Yonson, who works in New York and whose design career as Yonson Pak has run parallel to Molissa Fenley's development as a choreographer.

For the first half of *Eureka*, which had its London debut at the Riverside Studios last week, Molissa wore a leotard. The Yonson Pak outfit suits the demands of the programme as it builds up with aerobic energy into perpetual motion.

Ironically, Molissa Fenley was born in the show business mecca of Las Vegas, but she rejects totally that tinzel-town vision: "I don't go for costume designers because they look for the gaudy, the fly and the camp, with sequins and all that dazzle fizzle," she says. "Fashion people are more sensitive to what the body looks like in movement."



Molissa Fenley on stage in her dance costume. "The trousers and the shape remind me of the Ballet Russe."

GIANNI VERSACE designed the costumes for Mahler's *Lied und Leid* at La Scala in Milan in January. Strong blues and greens, used in geometric blocks of colour expressed movement in the men's costumes, with the women's Grecian-looking styles asymmetrically draped.

OSSIE CLARK's Royal Ballet costumes for Sir Frederick Ashton's *Vari Caprici* will be seen in London next month after their spring debut in New York. David Hockney has designed the sets and collaborated with his long-time friend Clark on the ballet.

exquisite drawings in the book, which also shows Bryony Brind dressed by the Emanuels in a pre-Raphaelite dress to interpret the Spirit of Autumn.

Each of the four seasons is represented by a galaxy of star customers, with Susan Hampshire in a froth of cream and a pensive Lady Sarah Armstrong Jones as Spring and a luminous Norman Parkinson picture of the Duchess of Kent in a summer rose garden. The fine-boned Claire Bloom in dramatic black satin and the pale-haired Fayne Dunaway appear as Winter.

Would the Emanuels like to develop as theatrical designers?

"We're really just huge ballet fans and we got involved with designing because we know members of the Royal Ballet," explains Elizabeth. "We go to rehearsals, watch the London Contemporary Dance and try to enter into the spirit of the ballet when we design."

Style for all Seasons, by Elizabeth and David Emanuel. Pavilion Books, £15.



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THE TIMES DIARY

Prospects poor

The best paid, and least secure job in local government will soon be up for grabs: director-general of the Greater London Council, from which the present incumbent, Sir James Swaffield, who is 60 next year, will announce his retirement soon. This will leave his successor as Ken Livingstone's top official all of two years to enjoy the £35,000-plus salary before the GLC is wound up: the Government has promised to pay the South Bank monster by April 1986. The GLC is having no truck with government deadlines, and intends to make a full-scale appointment, with full redundancy entitlement. A favoured candidate is the GLC's own comptroller of finance, Maurice Stonecroft; he was made a CBE in the recent honours list and has treated the left-wingers rather as a schoolmaster treats errant pupils. They seem to have loved it, and would be happy for more.

In the picture

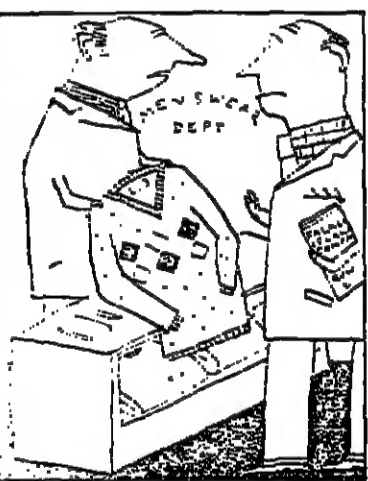
Artistic in arts and heritage circles over the Government's failure to appoint an arts spokesman in the Commons seems to be the result of difficulty in finding a suitable candidate. One minister is understood to have turned down the post already. Hopes are now being pinned on John Biffen, who, as well as having the necessary clout as a senior Cabinet minister, was until recently a trustee of the National Portrait Gallery.

On a rainy day for the summer of Jesus College, Oxford, a student is asked: "How are you getting on?"

Footloose

Margaret Thatcher was the object of unbridled fascination at the student summit and the people of the town, like the world's press, focused on her more than on any other leader. On Saturday night, while she was walking back from the first and victorious round of her budgetary battle, she was confronted by a woman who had thrust herself forward for an autograph, which was graciously granted. As she approached the Graf Zeppelin Hotel, a host of sightseers burst into spontaneous applause. A British journalist in the party was heard to remark: "If this kind of thing goes on, she's going to want to walk everywhere."

BARRY FANTONI



"It's guaranteed 100 per cent Argentine wool, sir"

Oscargill?

When baron Arthur Scargill will be making an unexpected debut as an actor in a left-wing theatre group called Badinage has its way. The group, whose work will be shown at this year's Edinburgh Festival, has asked the president of the National Union of Mineworkers to make a brief guest appearance in a five-minute black and white film which introduces the company's revue, *Lord Gordon's Dusty Coat*. The film shows two men going to a colliery and a factory in search of work, and Badinage envisages Scargill suggesting they go straight to the Edinburgh Festival for employment.

Baker's roles

I thought for a moment that a politician slightly further to the right had already been beguiled by show business, for one of the main parts in the new *Star Wars* episode is called Kenny Baker. I fear this is not the Kenneth Baker who has returned, Jedi fashion, to his Ministry of Information Technology - unless he has deliberately adopted the diminutive of his Christian name for his career in movies.

New leaf

All-change again in the heir-apparent's seat at the publishers Weidenfeld and Nicolson. Out go Stephen du Sautoy and Russell Ash, two of the closest aides of the 63-year-old Lord Weidenfeld. In, as deputy chairman, comes Michael O'Mara, mass-market oriented head of the international publishers, Rainbird.

Not until they posed together for Ariel, the BBC's house magazine, did anyone realize that the team of expert commentators assembled for the World Cup is itself a perfectly balanced cricket eleven. It includes two fast bowlers, Fred Trueman and John Snow; an ideal all-rounder, Trevor Bailey; a tidy off-spinner, Fred Titmus; and a wicket-keeper, Farokh Engineer. The team could open its batting with the interesting combination of Peter Richardson and Colin Milburn and depend on a cast-iron middle order of Peter Parfitt, Mushtaq Mohammad, Mike Denness and Peter Walker, two of whom could assist with the bowling.

As the World Congress for Peace and Life Against Nuclear War opens in Prague, a Czech 'dissident' offers a warning to western delegates

No peace without freedom

by a citizen of Prague

We should like to welcome you to Prague, but we must do so in advance, since we fear that we may otherwise be prevented. It is this possibility which compels us to reflect upon the conditions for peace.

Your time in Prague will have an exclusively official character. From the moment that you cross the border, our state will not only care for you (and doubtless with the greatest generosity), they will also give you their protection. In fact, you will be protected from the whole population, and above all from us. Who, then, are we?

We are the fragment - whether remainder or germ - of public opinion in our country. About many things we differ, but we are all united in our belief that a state without unofficial public opinion is a danger to its citizens - and therefore a danger to peace. A government without public opinion rules uncontrolledly, subject to no checks, or correctives. You must know this, since you are yourselves a concrete example of a system of checks and balances. Perhaps your governments do not pay you sufficient attention; you must judge for yourselves. But at any rate, our government entertains you so

generously in the Government Palace only because your own governments, in one way or another, take you seriously.

You are also voters - and, however sceptical you may be, you will surely not maintain that elections are completely meaningless. Your movement makes life more difficult for your rulers, because you submit them to open criticism. But our rulers - who are subject to no criticism whatsoever - merely add your voices to their arsenal. If we were to attempt to express our opinions concerning the preconditions for peace - to take the most pertinent example, the absence of any occupying army from our national territory - our rulers would receive and entertain us also, but in prison.

That is why we consider it absurd to compare the relative range and destructive power of missiles. At worst, such comparisons show not merely absurdity but also hypocrisy - albeit the hypocrisy of the idealist, afraid to look the facts in the face. Peace cannot be calculated like some mathematical equation; that is one of the most dangerous illusions of

our technological world, which is unable to think in more human categories.

We have the bitter privilege of being able to reflect upon the preconditions of peace, on the basis of the freshest experience of war. For how else can the invasion of our country overnight, by the tanks of five countries, be described, except as a reckless disregard for the risk of war? It happened 23 years after the end of the Second World War, and could hardly be called a delayed consequence of those previous hostilities. So what was the meaning of this invasion? The question poses itself all the more forcefully, in that quiet and order - officially called "normalization", but perhaps better termed a "graveyard stillness" - has long since been achieved. And yet this "normalization" was said to be the condition for the withdrawal of Soviet troops.

The troops stationed in Europe as a consequence of the last war will hardly be withdrawn unless those stationed in our country are withdrawn. But as a consequence of what? Pose this question from the podium of the Prague conference.

Until those troops are withdrawn there can be no public opinion, no sphere of public debate and criticism, in our country, to match the public opinion that exists already in your own. It is equally impossible to imagine a peace movement here, except one well financed by the state, organized by state bureaucrats, and supervised by the police - above all, kept apart from the citizens.

Such a movement represents, not the precondition for peace, but only the precondition for the hospitality which is being offered to you. Don't allow yourselves to be fooled by it. Visit us while you are in Prague - or try to visit us, if we have not been taken into custody or forced to leave the city. And speak from the podium on behalf of those many citizens of our country - the signatories of Charter 77 - who bound together by an inextinguishable love of freedom, tried to lay the foundations for a true public opinion here, and who are now serving long prison sentences, as a reward for their public spirit.

We are a segment of that public opinion without which peace can represent only a problematic ceasefire.

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Claude Urrut, Signa



Men of the Atlacatl Battalion, one of the Salvadoran army's most successful units, take a break during an anti-guerrilla sweep. Can they keep up the pressure demanded by the new strategy?

Why Washington needs a win in San Vicente

The ambitious objective of the San Vicente operation, planned and carefully monitored by American military advisers and diplomats, is to sweep the well-entrenched guerrillas out of this rich agricultural province for good, permitting US-financed teams to move in with development projects calculated to win over the peasants.

American officials in El Salvador are understandably averse to comparisons between this war and Vietnam, but their attempt to drive an economic wedge between the civilian population and the guerrillas clearly resembles the "hearts and minds" programmes deployed in the Vietnamese countryside. Bulletins announcing the San Vicente offensive even echo some of the rhetoric of America's last war: "defend, pacify, develop" is the motto of what is known officially as the National Plan.

There is another analogy with Vietnam, too. For a great many of this little country's impoverished peasants, the Salvadoran army has become synonymous with death and destruction. As one of the half dozen American advisers training troops in San Vicente concedes: "There is absolutely no reason why ordinary people should ever trust government soldiers." The advisers are working hard to teach raw teenage recruits the elements of a code of discipline, and the Salvadoran commander of the present operation, Lt-Col Rinaldo Golcher, is rated by them as an outstanding and honourable officer. The real job, they say, will be to convince rank-and-file troops now fighting in San Vicente that hearts and minds matter as much as body counts.

Even that may not do the trick for a Reagan administration in dire need of some good news from the

high command's resources to break-point.

The National Plan calls for a big expansion of existing civil defence forces to defend towns and villages, freeing regular soldiers for combat duty. In my experience, however, local militia are no more effective in El Salvador than they proved to be in Vietnam. The last time I was in San Vicente, most self-defence units seemed to be composed of a handful of nervous, middle-aged men carrying outdated weapons.

It will be several weeks before it is known whether the San Vicente operation is achieving its objectives. American advisers there are delighted to see government troops carrying the fight to the enemy at long last, but they know that this involves a calculated risk. The guerrillas may be falling back at present, but they are beginning to develop considerable sophistication in their operations.

A lot more radio and signalling equipment is turning up on captured bases, and the insurgents' new-found ability to assemble large formations for sudden attacks gave one of the army's best battalions a bad fright earlier this month. It was saved from a severe mauling only by the heaviest air and artillery strikes sent so far in the war.

Another battlefield setback would drastically narrow the options left

for the Reagan Administration. The stakes are far higher than the much-needed foreign exchange El Salvador earns in the fields of San Vicente and Usulután. If Washington's most ambitious - and expensive - combination of military, economic and political strategy fails to turn the tide for the Salvadoran government, the pressure for more direct American intervention must increase.

It is no secret in the fortress-like US embassy in San Salvador that the line from Washington is getting tougher every day under the cabinet "hawks" who seem to have taken over Central American policy. There is already a contingency plan to rush in a greatly enlarged team of American advisers who would be free to operate in the front-line (the 50 or so in the country at present are specifically forbidden from accompanying Salvadoran troops into combat).

In such circumstances, there would inevitably be American casualties. Reagan is well aware that this would outrage US public opinion, already sternly opposed to deepening the government's military involvement anywhere in Central America. Nor will the President have welcomed the views of the army's chief of staff, General Edward C. Meyer, a Vietnam veteran who is not afraid to speak his mind. General Meyer says he would recommend sending in US troops if he felt that would prove decisive, but Vietnam had taught him that "unless you have the commitment of the indigenous people, you're not going to solve a guerrilla war." He also considers it would be unforgivable to put American soldiers "at the end of the string" without having the support of the American people.

Philip Jacobson

Ulster: can the ballot beat the bullet?

Belfast Mr Gerry Adams' general election triumph in West Belfast was the outcome of a chain of circumstances, some fortuitous, others resulting from the Government's lack of finesse in handling the hunger strikes, which in two years have brought Provisional Sinn Féin to a position where they are sending shivers down the political establishments in both Belfast and the Republic.

For the future most people in the province, as well as interested parties in the south, will be watching and waiting on the men dedicated to "ballot box and Armalite" politics. Militant Irish republicanism is in danger of forcing Britain into a cul-de-sac, eating into the tired body of the Social Democratic and Labour Party, which represents constitutional nationalism and calling the shots both politically and militarily. The SDLP is having to protect its flank and, for sheer survival, is being forced to take a more hard-line attitude on a number of issues to prevent PSF grabbing the electoral advantage. Outmanoeuvred by abstaining in the city council on a move to take London out of Londonderry, SDLP members found it being used as a weapon against them in the election. Not surprisingly, they quickly backed moves to stop the flying of all national flags from council property

and have now decided to drop a 10-year practice of rotating the mayor's office between parties. It all fits uneasily with party leader John Hume's efforts in Dublin to build a new Ireland for all traditions. And it is unlikely that the SDLP can ever completely outflank the PSF by attempting to prove which is greener.

In Belfast, Mr James Prior says he will never meet Mr Adams until he renounces violence, but in the next breath admits that the MP will meet junior ministers in delegations about constituency business. The irony isn't lost on PSF, which remembers that Mr Adams was released from internment in the early 1970s and flown to London for talks with Mr William Whitelaw.

And despite Mr Prior's hopes, he probably knows in his heart that it will be tantamount to political suicide for the SDLP now to enter the Northern Ireland Assembly. Imagine the howls of "collaborationists" that would be hurled by the men now breathing down their necks and aiming to replace them as the major voice of nationalism in the province.

Even the idea of appointing local politicians, including nationalists, to head departments at Stormont is dismissed by the SDLP, whose attention until the end of the year is focused on Dublin's lifeline to them - the new Ireland forum.

The idea of some form of Anglo-Irish council may be resurrected, although this would enrage Unionists who are more confident than ever, having taken 15 of the province's 17 seats in the general election. Some were even heard to suggest that in those seats where they were defeated they would prefer PSF to win rather than the SDLP, as it would mean the nationalist case would not be put at Westminster.

"It's us or the Provos", Mr Hume declared at every opportunity during the campaign, insisting that the Irish question would dominate the next Parliament. Unthinkable though it is, if the forum fails to reach agreement, or much more likely Mrs Thatcher continues to display an apparent lack of sensitivity to Irish nationalism, what then for the SDLP? It would be left with nothing to show for its efforts and the Provos vindicated in their belief that the only thing Britain takes note of is force. With elections due every year in Northern Ireland until 1986, the consequences could be fatal for the SDLP facing an organization campaigning on the simplistic "Brits Out" theme, coupled with a record of active constituency work.

Of course it could all go wrong for PSF. The divisions in the organization over going political may surface. There are fears that they will inevitably be drawn into the world of "wheeling and dealing" if they

take local council seats after the 1985 local government elections and that military operations will be given less emphasis. That might lead to a haemorrhage of support, with disaffected military men leaving for the rival Irish National Liberation Army. But so far the delicate balance between the Armalite and ballot box is working and, after all, Mr Adams and his colleagues have so far been associated with success in the North.

Both Mr Prior and Mr Hume continually point to the 1950s when Sinn Féin got 150,000 votes plus seats at Westminster and Dublin with the Secretary of State openly hoping that as then, so now they will eventually "fade away". Politicians and officials in the Northern Ireland Office believe that PSF will soon tire of broken window and cracked paving stone politics, but they give the impression of whistling in the dark.

PSF is already talking of contesting the European, local government and then the next assembly elections. It is on a rising tide which could pick up much of the Catholic vote if it continues. As Mr Prior solemnly admitted on his return to Stormont after the general election: "A lot of things are dead if this were to continue". And he was not just talking about people being killed.

Richard Ford

Roger Scruton

When a life term is not enough

In discussions of political principle - where there are many questions and few answers and where no answers are universally satisfying - the major issue is always one of onus. Who bears the burden of proof? Whoever does so will labour under a singular disadvantage, and can seldom unsettle his opponent.

The question of onus, however, is as disputable as every other. In recent years socialism has begged this question in its own favour, high-handedly assuming that inequality and privilege must be justified, and that, unless they are justified, socialism has right and reason on its side. The correct answer to socialism is: prove it. Prove that there is something wrong with inequality and privilege. And, more importantly, prove that you have something better to put in their place.

It is irrational to discard an existing social order until one is fairly certain of a better one. For this reason, the question of onus ought generally to be decided in the conservative's favour. He defends not what might be, but what is, and the proof of his politics lies here and now, in the concrete details of political existence. It is not complacent to rest one's faith in the actual, since the actual constantly jolts one into a sense of its imperfection. Far more complacent, indeed, to rest satisfied with the ill-sketched utopias of the left, which could be rationally pursued only if we were persuaded that they conceal no evils greater than the goods which make them so attractive.

When the conservative wishes to restore something, however - be it hereditary peerages or capital punishment - he cannot be quite so secure in his conviction that reason is on his side. A search for principle must be undertaken.

The practice of granting hereditary peerages has never been abolished, but merely neglected. To resume it is at least to rouse curiosity, and probably to rouse indignation as well. The tired old arguments will be rehearsed concerning the "irrationality" of hereditary entitlement, and the likelihood that political power and social privilege will pass unhindered into the hands of a psychopath or a mental defective. Personally, it has always seemed to me far more likely that psychopaths and mental defectives should gain power by democratic election. But to argue at this level is not to argue seriously.

If a citizen were rewarded for services to his country with a gift of property, he would naturally feel aggrieved if told that he could not pass it to his children, and that he must either spend it in his lifetime or return it to his sovereign. What kind of a feudal liberty is this, he would complain, that pretends to reward me with a gift that I cannot freely bestow? When peerages first became hereditary, it was partly because barons had come to regard them as property, and to resent the feudal habit of dictating their inheritance, regardless of the claims of family and kin. Conversely, the hostility to hereditary peerages has

coincided with hostility to hereditary property. There has been a general shift in moral perception, which requires all a man's goods and all a man's evils to be the upshot of his own activity, and to be enjoyed within the space of his lifetime alone.

Those who object to inherited property often argue that a society in which some have this advantage is "unfair", and that "unfairness" is an evil. Their arguments, I believe, are spurious. Moreover, the consequences of accepting them would be singularly unattractive. Having no capacity to establish a durable household, every wage-earner could turn his attention to immediate consumption, and neglect to provide for the future. The resulting society of proletarians would present a moral spectacle of the utmost bleakness, devoid alike of prudence and filial trust. The dangerous absorption of our energies in this "getting and spending" can be halted only if there is saving which traverses generations, and which binds the future to the past without thought for any particular person's profit.

Such genuine saving is possible only if there are ambitions which reach across generations - ambitions not for oneself but for one's children and one's children's children. In short there must be objects of pursuit which are also hereditary entitlements. Wealth can be one of these - but why not honour?

After all, this too can be subject to profligate waste; this too can be made cheap and purposeless by someone who sees it as no more durable than himself.

Hereditary honour has indeed been one of the ways in which societies have encouraged saving. By acquiring such honour, a man acquires the motive to lay up store for the future, and to pass on to his successors an honourable estate. Hence it was socially beneficial that hereditary honour and hereditary wealth should be united.

In societies where wealth is privately owned - and where it will therefore accumulate in the hands of those most skilled and most interested in acquiring it - the hereditary principle has acted as a major safeguard of the national wealth; a guarantee that present resources remain unscattered. Where the major wealth of a society is vested in the state, and is therefore at the disposition of bureaucrats with no permanent interest in its preservation, the nation is at the mercy of profligates. Thus arise the debt-ridden economies of the socialist world - economies which barely survive from day to day, and which would collapse overnight were it not for the loans extended by deluded capitalists.

To reject hereditary honours is therefore to reject one of the principal motives for economic stability. It is to take a step in the direction of the spendthrift society, in which wealth is created for instant use, and in which the purpose of durable things cannot easily be perceived.

Geoffrey Smith

Reagan and the Thatcher factor

Washington There is one question that a British visitor to Washington is now asked time and again: does Mrs Thatcher's victory this month point to President Reagan's reelection next year? It is true that no exact comparison can be drawn. There has been no American equivalent to the Falklands war; the Democrats do not seem likely to get themselves into the kind of mess that Labour did in Britain; and there is no prospect of a third party taking a quarter of the votes in the United States.

Yet the same political winds do often blow on both sides of the Atlantic, and Mrs Thatcher's triumph can only three months after Chancellor Kohl's victory in West Germany. This might seem to suggest that quite a strong international breeze is now blowing from the right. But it would be more accurate, I believe, to interpret the trend as a desire for strong leadership, whether from the right or the left. Not only the results of the British and German elections, but also the victory of the Swedish Social Democrats last autumn, was entirely consistent with this interpretation.

Such a trend should be just as encouraging in its way to President Reagan as a purely right-wing tide. There is no comparison between the way in which he and Mrs Thatcher run their governments. But there is a similarity in their electoral appeal: both rely more upon their personality than their policies. It was her reputation for determination that proved to be Mrs Thatcher's principal electoral asset - a point not lost upon Mr Reagan's advisers. It is mentioned in the White House as a happy symbol that the President's desk comes from HMS Resolute, which was presented as a gift to the United States by Queen Victoria in 1880. The resolute approach and Victorian values fit his image pretty well.

Like Mrs Thatcher, he conveys an impression of assured leadership to any of those who have their doubts about the direction in which he is leading. Indeed, it is because support for him personally often has so little to do with his policies that Mr Reagan presents so elusive a target to his opponents. Americans prefer a president who is at least comfortable in the exercise of power, and Mr Reagan is undeniably comfortable in the presidency - too comfortable, some would say.

The Reagan presidency seems rather more assured now than when

سوان الامل



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THE MAN FOR THE FED

The world does not usually wait on the appointment of officials. Yet the race for the chairmanship of the United States Federal Reserve Board - in effect America's central bank - has been followed as closely in London, Paris and Tokyo as in Washington and on Wall Street.

Foreigners are interested mainly in United States interest rates, which can make or break the world recovery, sink or sustain the world's debt-ridden industrializing nations. Wall Street remains more concerned with sustaining the battle against inflation. Yet Mr Paul Volcker, the incumbent whose reappointment was announced by President Reagan during a weekend broadcast, contrived to be the favoured candidate both of Wall Street and of the waiting outside world. This paradox, one of several, helps to explain Mr Volcker's strength and why his appointment is seen as significant.

As a conventional by-product of America's separation of powers, the chairman of the "Fed" is in operational control of interest rates, the sharp end of United States monetary policy. That was important enough when Mr Volcker, already banker, central banker and former Treasury under-secretary for monetary affairs, was first appointed by President Carter.

The dollar then was weak, interest rates rising and inflation a growing problem. Mr Volcker stamped down hard. In America's huge, home-dominated economy - much more in tune with monetary textbooks than our own - he was on the way to beating inflation before Mr Reagan swept to office on that policy ticket.

Yet the advent of Mr Reagan, with his tax-cutting supply-side approach, placed an even greater burden on monetary policy. Mr Volcker remained firm, sending both interest rates and unemployment to levels together unprecedented in modern times in the cause of lower inflation.

and a strong dollar. To critics in Congress, the administration and America's industrial cities, the result was called Volcker's recession. Those critics came both from the left, which condemned unemployment and from the right, which distrusted Mr Volcker's criticism of the high budget deficit and his determination, blinkered in their eyes, to resist what, to his eyes, were its inflationary effects. That determination earned him his support from Wall Street.

That interaction of policies had a profound effect on the rest of the world. It aborted Britain's portended recovery in the autumn of 1981, transformed that world debt problems to a crisis by exacerbating both recession and money costs, sent world currency markets into a spiral of instability, and thereby unleashed a new tide of protectionism to the particular chagrin of Japan.

Since then, Mr Volcker has disarmed much of the criticism this produced in the rest of the world. Most have grown to appreciate his role, the role of the United States, in bringing inflation under control worldwide. The world now also trusts Mr Volcker because the authority he has built up has allowed him to be much more pragmatic and sympathetic in the past year.

At the crucial moment when the American economy showed signs of recovery, Mr Volcker ignored the US money supply figures, which were way above target but statistically ambiguous. He let interest rates fall and has since resisted the temptation to raise them again. Americans give this pragmatism a domestic slant. The rest of the world attributes it to the impending default of Mexico and a string of other countries that would have tested the world banking system - and most notably America's multinational banks - beyond breaking point.

Either way, he earned unaccustomed popularity. That was

supplemented, in Europe and Japan, when he publicly endorsed the case for limited intervention in foreign exchange markets as a counterpart to more fundamental moves - principally cuts in the US budget deficit - needed to stabilize currencies. His attitude contrasted with the unsympathetic and astonishingly insular utterances of other administration officials such as Mr Donald Regan, the Treasury Secretary or Mr Martin Feldstein, chairman of the council of economic advisers.

In the tangled world of American government this made Mr Volcker, he of the recession, almost a "wet" to the hard-liners and supply-siders in Washington, who wanted him replaced when his term expires in August. But it made him the foreigners' candidate, to the extent that the chairman of Japan's central bank publicly hoped that he would be reappointed.

The policy differences may seem mere nuances. But Mr Volcker became a test case of the attempts by the European nations and Japan to use the Williamsburg summit to make the United States more aware of the problems of the rest of the world and the intimate part played by American monetary policy in their future.

Now Mr Volcker has another four years. But the big problems remain. It is vital that American interest rates should not go into reverse, because that would destroy the hard-built confidence in a sound, sustainable recovery in the world economy. Sharper falls in interest rates needed for a faster and more complete recovery require some end to the projected line of huge American budget deficits. They are nothing to do with Mr Volcker. The President wants cuts in social spending. The Congress look for cuts in defence spending or a reversal of Mr Reagan's intended tax cuts. We are all interested spectators of Washington's continuing impasse.

DO-IT-YOURSELF OPPOSITION

Within minutes of the first general election results being declared the absence of strong opposition in the new parliament had become a lament merging on cliché. That must have baffled foreign observers long accustomed to complaints about the damaging effect of adversarial politics and discontinuity in Britain. Yet the apprehension is genuine. Parliamentary opposition is vital, a long-term guarantee of choice and, therefore, liberty. In the short term it is an essential instrument of efficiency and accountability.

It would be unjust to dismiss in advance the new Tory intake as quiescent lobby fodder. The 1979 Conservative influx proved to be a spirited lot. Some took part in sporadic backbench revolts. Others took on their party's great men when ministers appeared before the fourteen new select committees established under the guidance of Mr Norman St John-Stevens when Leader of the House.

In fact, the select committees could be the key to sensible and successful opposition in a Commons brimming with

Tories. In a letter to Mr Edward du Cann, chairman of the liaison committee of select committee chairmen, that was released a few hours before the old parliament was dissolved, Mr John Biffen, Leader of the House, acknowledged "that the departmental committees have now established themselves as an important part of the general structure of parliamentary scrutiny". The Conservative manifesto took pride in the "modernized" committees and promised "to pursue sensible, carefully considered reforms where they are of practical value".

The fuel that drives select committees is evidence, written and oral, often taken at great length. The propellant of more traditional forms of opposition across the floor of the chamber is all too frequently a volatile blend of venom and prejudice. Whitehall is already aware of the potential of select committee scrutiny when formulating policy across nearly the whole range of government. In this fashion, backbenchers can exert influence, since policy-makers are constrained to think things through and have their justifi-

cations ready, before a single witness is called or memorandum requested.

One regrettable consequence of the Conservative landslide and the earlier reselection process required by boundary changes is the number of formidable exponents of the select committees art whose names are on the casualty list. In a non-partisan sense the Commons is a poorer place without Mr Joel Barnett, Mr Christopher Price, Mr John Garrett and Mr Michael English. A number of stalwart select committee men are still there - Mr Edward du Cann, Mr Terence Higgins, Mr Robert Sheldon, Dr Jeremy Bray, Dr John Gilbert and Mr Bruce George among them.

What remains to be seen is how keen the new Tories will be to sign on for select committee membership. If they have any sense they will form a queue. It is a high calling and an important public service. What is more, skewering mighty ministers and grilling grand officials is a stimulating break from passing with your party through the division lobby.

MR DENG CONSOLIDATES

The endorsement by the National People's Congress of Mr Li Xianmin as China's new President is no surprise: three-quarters of the delegates to this sixth congress were newcomers and thus likely to be supporters of Mr Deng's pragmatic, progressive wing of the party, ready to appoint a candidate who would best serve Mr Deng's ends. With Mr Li as president, and the new vice-presidents announced yesterday, Mr Deng has won the same control over the government establishment as he did over the party at last autumn's twelfth party congress.

Mr Li is a compromise candidate, marked out by no intricate or obscurely Chinese political characteristics that would be unfamiliar to those who have observed the jockeying for the Labour Party leadership in Britain, past or present - except that in China these things are not at all public. To begin with, Mr Li's revolutionary record is unimpeachable. He has been a party member from his earliest days, is a veteran of the Long March and wears medals from the varied campaigns that led to the communist victory in 1949. As far back as 1954 he was installed as Finance Minister and ever since has held posts concerned with the economy. He is thus almost a unique survivor of three turbulent decades. He

has not lost his badge as a faithful servant of Mao but was sufficiently roughed up during the cultural revolution not to be identified with the worst aspects of that disastrous explosion.

After Mao's death in 1976 Li retained his place in the leadership under Hua Guofeng, but was not so determined a supporter of Mr Hua as to be unacceptable to Mr Deng when he gradually turned the tables on Mr Hua's team. Li is truly the man in the middle, without serious enemies, able to earn respect from most quarters of China's top political leadership. But to what extent, it might be asked, if such a compromise candidate has to serve less divisions become wider, are such divisions still a threat to China's stability?

One part of the answer can be read from the current National People's Congress meeting. If the army has been the only possible source to promote a political reversion, it can be seen that Mr Deng now has the power to stop any such attempt. He was confirmed at last year's party congress as head of the party military commission: he is now to head the newly established government body to command the army. It may also be noted that where three-quarters of the delegates to the congress were newcomers no less than seven-

eighths of those in the large military delegation were new and undoubtedly of the Deng persuasion.

Certainly there are still pockets of resistance, not so much from ideological devotion as from the wish to hold on to jobs acquired during the cultural revolution; hanging together rather than hanging separately being the cohesive force. One such pocket lately attacked concerned the upper ranks of the party in Guangxi province, adjoining the Vietnam border.

Such operations take time and are, indeed, obscurely Chinese in their working. Another case has been Hunan University - in Mr Hua's old constituency - where an obdurate attachment to Maoism has kept supporters of the order on the sidelines.

Too much can be made of such cases. In general Mr Deng's mass support has steadily grown. The power and independence of government is once again growing away from bureaucratic party control - as it had begun to do in the fifties when China was first setting out on the road of modernization to which Mr Deng has sought to return it during these last five years. There is little reason to doubt that the road ahead looks fairly secure. The stability and continuity that China so badly needs are now in prospect.

Threat to arts on South Bank

From Mr Ian Horsburgh

Sir, Your feature (June 10) on the restructuring of the organisation of the South Bank concert halls from the present management to direct control from the GLC highlighted several issues, but failed to emphasise what must be of fundamental concern to both audiences and promoters - what factors will govern the artistic policy of the halls?

A major venue such as this plainly has the responsibility to encourage a wide range of events and the remarkable variety of the musical life in London relies absolutely upon the freedom of the promoters, who take the risks, to present what they will. For instance, the activities of those organisations such as ours, which are largely concerned with the presentation of new music do not attract vast audiences, but provide a perspective essential to a vigorous cultural life.

What now must concern us is the threat that our activities on the South Bank are going to be proscribed simply because they are not, apparently, pulling in the crowds.

Events over the past two years have seen a welcome broadening of attitude and commitment to the arts by the GLC, although not always comprehensible. These proposed changes at the South Bank halls may indeed be in the long-term interest, but the absence of any discussion with those most affected is a matter of the utmost concern.

Yours faithfully,
IAN HORSBURGH, Chairman,
The New Music Concerts,
Clarendon Road,
Twickenham,
Middlesex,
June 14.

Waterloo wasteland

From Mr D. R. Whitaker

Sir, Whilst I am completely in agreement with any improvements which can be made to the South Bank site (Letters, June 7, 11) surely it would be better value to make more use of the north bank of the Thames opposite, between Waterloo and Westminster bridges.

On this side there are a number of long but narrow gardens, none of which are connected and none of which overlook the river.

The Embankment itself is now virtually a no-go area for anyone not in a fast motor car instead of being, as it should, one of the most attractive walks in central London. Could we not turf over the road surface of the Embankment and thus make a most delightful large riverside park to take the weight off St James's Park and Trafalgar Square?

Yours faithfully,
DAVID WHITAKER,
The Dover House,
Crawdon,
Hampshire,
June 8.

Monumental misery

From the Reverend Julian Barker

Sir, Your correspondent's article on June 10 (early editions) about kitchen ornaments in churches contains one extraordinary remark. Diocesan authorities do indeed discourage white marble and other materials and designs which do not blend well with the atmosphere of country churches, but I have never heard of any who were opposed to the use of wooden crosses.

These seem an ideal form of memorial. A stout oak cross, properly treated, might expect to last for 70 years and if concerned relatives are still about it should not be too expensive to replace. It poses few problems for mowers and is in keeping in any churchyard.

I imagine that the low fee of £3 for wooden crosses in the table of fees authorized by the General Synod is deliberately intended to encourage their use.

Yours etc,
JULIAN BARKER,
Repton Vicarage,
Derby,
June 11.

Beating the blackout

From Mr F. G. Gough

Sir, When, as a boy, I haunted the dear old Finsbury Library, I frequently observed readers of the newspapers doing so with the aid of a magnifying glass.

My own conscience was disturbed by the sight of fellow citizens, hungry for news and enlightenment yet too poor to afford spectacles.

What they were doing, of course, was penetrating the blackout which smothered the racing intelligence.

Yours faithfully,
F. G. GOUGH,
76 Dalketh Grove,
Stammore,
Middlesex,
June 11.

Imprisoned in Thailand

From Mr John Richard Du Cane

Sir, The many British prisoners serving sentences in Thailand for narcotics-related offences are anxiously awaiting the outcome of the UK Government's deliberations over whether or not to take the necessary steps to ensure that a prisoner transfer treaty will be negotiated between Britain and Thailand.

This year such treaties are being ratified for Thailand by the governments of the USA, Canada, France, Italy and Spain, and many other nations are following suit. The demoralization of the British prisoners here will be acute if they find themselves to be the only foreign nationals remaining within the Thai penal system.

Most of us have been handed down enormous sentences that often appear to be grossly more than the original crime merited. I myself am

LETTERS TO THE EDITOR

Electoral reform in Britain and Europe

From Sir Anthony Kershaw, MP for Stroud (Conservative)

Sir, I have been active in the House of Commons on the Conservative side in arguing the case for a more proportional system of elections in this country.

However, the Liberal Party have given repeated indications that they would in the future always ally themselves with Labour, as they have in the past, rather than with the Tories.

The Labour Party has shown beyond doubt that it contains a strong element of Marxism, within its ranks. Unless and until the Labour Party purges itself of Marxism, it would be deeply harmful to the interests as well as to the recent emphatically expressed wish of the country to allow Mr David (Kerensky) Steel the chance to put Labour in.

Yours etc,
ANTHONY KERSHAW,
House of Commons,
June 15.

From Mr Michael J. Taylor

Sir, It is of course tempting, in the wake of the general election, for those displeased with the result, whether for partisan or more altruistic motives, to point to electoral systems operating in other countries as being more equitable, and to speculate on the effect that these would have had, if applied retrospectively, on the results of our recent contest.

This is an interesting if largely academic exercise, as it is surely true that the system used to some extent influences voting patterns, and it is unlikely that the figures of June 9 would have been exactly the same had our method of election been a different one.

Leaving this aside for the moment, however, if we are to speculate in this way with a view to changing our system, we should at least be sure that our view of these other systems is an accurate one. In this respect, it is necessary to modify the picture presented of the French system by your correspondent, Mr Tarassenko (June 15). He states that "if no one polls more than the required 50 per cent the top two candidates return to fight it out in the second round".

This is the case in a presidential election, but not necessarily so in a parliamentary contest, where the only candidates automatically eliminated after the first round are those failing to obtain 12.5 per cent of the votes cast. The fact that so many third, fourth and, on occasions, second-placed candidates who could

have contested the second round do withdraw to reduce the contest to a duel depends on electoral agreements concluded at national level in advance of the election, between, on the one hand, the parties of the left and, on the other, between those of the right, whereby the better placed candidate from each of these camps is given a clear run in the second ballot.

To make this system relevant to the British context, there would need to be an agreement (or electoral alliance) between either Labour and the SDP/Liberal forces or between the Conservatives and the SDP/Liberal for mutual *désistement* in cases where the contest went to the second round. This seems, to say the least, unlikely, and the existence of such a pact would, in any case, no doubt produce a different pattern of voting in the first round.

It is, I think, fair to say, in conclusion, that the present French system has resulted in a higher degree of polarization between the two main blocks to the detriment of the centre, and, moreover, that this is a consummation devoutly wished by many Frenchmen who have, for decades, cast an envious eye on our political set-up and the possibilities of stable and consistent government - of whichever colour - which it offers.

Yours faithfully,
MICHAEL J. TAYLOR,
Willow Rise,
Priston,
Near Bath,
Avon,
June 16.

From Dr Mark Villiger

Sir, As a visitor to your beautiful country I have followed with interest the current debate in your columns on proportional representation. My home country, Switzerland, has had a permanent coalition government since the 1950s. It consists of four parties which cover the whole political spectrum from left to right (SPS, FDP, CVP, SVPI). The seven members of government (Federal Councillors, *Bundesräte*) represent the various regions and languages and act as a collegiate body where the president, who changes annually, has mainly representative functions.

Naturally, this system raises its own typical problems, but government by consensus has certainly given the country stability.

Yours faithfully,
MARK VILLIGER,
42 Hurst Park Avenue,
Cambridge,
June 15.

A shared role overseas

From Mr Max Nicholson

Sir, In his timely article ("Who will invent our foreign policy?", June 17), David Watt opens up an important area of debate, but he offers disappointingly little towards the modern strategy for which he indicates the need. Coincidentally the launch, last week of the Conservation and Development Programme for the UK included a highly relevant if partial contribution, written by Richard Sandbrook, of the International Institute for Environment and Development, for a group under the chairmanship of James Porter, Director of the Commonwealth Institute.

Focusing on the UK's embryonic overseas environmental policy, this report showed what a large and diverse range of official, academic, consultancy and other resources are available in Britain to assist conservation and development worldwide, if only simple positive measures were taken by HM Government to enable them to make their full potential contribution in fields presently largely abandoned to our competitors.

Products of design

From Mr Michael French

Sir, Your correspondent, Torin Douglas ("Why British management is being told to put emphasis on design," June 14) writes as if the less important part of design, design for appearance, was the whole, and ignores the rest. In some of the products he mentions the most important part of the design has been done by engineers - the British Leyland Range Rover, the Sinclair ZX81, and the Westland 30 Helicopter.

Most consumers want a product which functions well and is reliable and good value for money, aspects which are normally the concern of the engineering designer, although industrial designers also work on them for the simpler products.

Design for appearance is only the conspicuous tip of a very substantial iceberg, the whole of which is important to our economic survival. Yours faithfully,
MICHAEL FRENCH,
University of Lancaster,
Department of Engineering,
Bailrigg, Lancaster.

Prisoners who fall victim to the highly prevalent and debilitating diseases, like TB and typhoid, must somehow finance their own treatment. We live in constant fear of catching an illness. It is not surprising that a disproportionate number of foreign prisoners have died in the last few years.

Lack of facilities, the absence of meaningful work or educational

One urgent step is to put into a coherent whole the bits and pieces of reactive policy currently elicited in response to the successive agendas of international agencies and meetings in which our Government takes part. Another would be to respond to the willingness of the Commonwealth Secretariat to assist in developing a unit to multiply the sharing of expertise and aid among Commonwealth countries.

In looking forward to some constructive practical follow-up of the challenge you have posed, may we hope that it will embrace not only such contentious areas as David Watt has specified, but also the wealth of uncontentious opportunities at our disposal, even in these hard-up times, to enable Britain at last to respond to Dean Acheson's friendly taunt about having lost an Empire and not yet found a role?

A lead in this area from the new Government would be widely welcomed and would cost very little. MAX NICHOLSON,
Earth's Survival,
c/o Nature Conservancy Council,
19-20 Belgrave Square, SW1,
June 17.

Protecting plants

From Mr Kenneth S. Solly

Sir, I share Sue Maye's concern (June 14) over the need to protect what little remains of our native wild plant life with special reference to orchids, many of which have become extinct over recent years. Outside botanical circles, however, very few people in this country would be able to recognise a legally protected plant if they saw one.

I am convinced, therefore, that our native flora would stand a better chance of survival if we were to follow the example of the Swiss Nature Conservancy Board, which displays large colour posters of protected alpine plants in public places at every resort as well as in schools. These posters furthermore define clearly in four languages whether the plant concerned enjoys complete or semi-protection.

Yours faithfully,
KENNETH S. SOLLY,
Yara,
Ravens Road,
Shoreham-by-Sea,
West Sussex,
June 16.

On a clear day

From Mr A. C. Denney

Sir, Mr Alan Searle (June 17) is mistaken in his method of calculating the distance at which one mountain top is visible from another. The correct method is to add together the distance to the horizon from each mountain.

The horizon from Beinn Sgulaird (3,059 feet) is therefore over 72.1 miles, and from Slieve Snaght (2,019 feet) more than 58.9 miles, since those are the horizons given in Whitaker for 3,000 and 2,000 feet. The two mountains therefore have a combined horizon of over 131 miles.

Careful checking in my atlas indicates that the mountains are about 125 miles apart, rather than the 150 miles which Mr Barratt estimated (June 7), so that given the conditions he describes, he would not have needed much assistance from either refraction or a few drams of something strong to see the mountains of Donegal from Beinn Sgulaird.

Neglect of the Western Isles

From Mrs Kenneth Stewart of Coll

Sir, Last year Mrs Thatcher's Government quite rightly defended the Falklands against the Argentine invasion and are subsequently spending vast sums garrisoning the islands, but I hope they will not lose sight of the fact that there are many small islands around the coast of Britain fighting for survival against enormous economic pressures.

In the last year food prices have not risen so rapidly, but I would like to quote the prices we pay for various commodities in the Isle of Coll compared with a mainland (Oban) supermarket:

	Coll	Mainland
Potatoes (500 gms)	22.18	17.78
Onions (500 gms)	11.28	8.98
Tea, Telfords (500 gms)	40p	35p
Chicken, Dunlop (1 lb)	11.40	10.00
Sturgeon, Loch Ness (200 gms)	35p	27.5p
Milk, 1 pint	28p	21p
Butter, 500 gms	41p	36p
Low's orange juice (1 litre)	40p	38p
Mellin's Food (15 oz)	80p	65p
Andrew Weir (15 oz)	80p	65p
Arrol powder (500 gms)	80p	81p
Large Whiskies (all local)	51p	34p

We get no subsidies from the Government to help pay for our astronomical cost of living, which is particularly hard for pensioners and those on fixed incomes, and in the last four years, due to the recession and high interest rates, two of our four main industries started on the island have gone to the wall, and the only one thriving is run as a charitable trust.

Agriculture and tourism are both adversely affected by our high costs and people are not prepared to take the risk of coming to settle on the island to make a living.

Our neighbouring island of Mull (pop 2,000) with whom we have close contacts is fighting to save the closure of the pier in the main township of Tobermory: this pier has fallen into an appalling state of disrepair and the Strathclyde Region is not prepared to take it over until it has been brought up to standard by the shipping company, Caedonian-MacBrayne.

The amount of money needed to repair this pier must be infinitesimal compared with the amount needed to rebuild Stanley airport, yet the Western Isles are clearly rated to be of third-rate importance.

Yours faithfully,
JANET STEWART,
Estate Office,
Isle of Coll,
Argyll,
June 16.

Wayward water

From Dr D. J. C. Laming

Sir, Further to Dr Magnus Pyke's letter (June 9) on the anomalous behaviour of water in Port Moresby plug-holes, it should be noted that the Coriolis effect (which imparts the twist to the water) is very weak in low latitudes and non-existent at the Equator. Being proportional to the sine of the latitude (9° south at Port Moresby), there is only one fifth of its strength at the latitude of London. So those who try to test the theory in low latitudes are wasting their time.

One effect of this relationship is that hurricanes, which feed upon the Coriolis effect, rarely occur less than 10° north or south of the Equator. Another is that in Arctic regions those who would shoot polar bears between the eyes should aim for the left eye, for the effect is strongest at the poles and all moving objects are influenced by it, not just water in plug-holes.

Yours etc,
D. J. C. LAMING,
Treehazes, Crabb Lane,
Aldington,
Exeter,
Devon,
June 10.

From Mr A. C. Denney

Sir, Mr Alan Searle (June 17) is mistaken in his method of calculating the distance at which one mountain top is visible from another. The correct method is to add together the distance to the horizon from each mountain.

The horizon from Beinn Sgulaird (3,059 feet) is therefore over 72.1 miles, and from Slieve Snaght (2,019 feet) more than 58.9 miles, since those are the horizons given in Whitaker for 3,000 and 2,000 feet. The two mountains therefore have a combined horizon of over 131 miles.

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Yours faithfully,
A. C. DENNEY,
37 Glebe Road,
Cham,
Surrey,
June 18.

From Dr Wilfred Taylor

Sir, On the summit of Beinn a' Bhraigaidh (1,293 ft) near Golspie stands a huge statue of a Duke of Sutherland. Across the Moray Firth, about 40 miles away, on the crest of Ladyhill in the city of Elgin, rises a Tuscan tower crowned by a statue of a Duke of Gordon. Most of the intervening distance is occupied by water but a low ridge rises between the Duke of Gordon and the Duke of Sutherland.

I like to think that their Graces, on clear days, can exchange dual glances. Acrophobia and a certain stiffness of limb prevent me from any attempt at empirical verification. Perhaps some nimble scholar at Elgin Academy, Golspie High School, or Gordonstoun could solve this problem in patrician intervisibility.

Yours sincerely,
WILFRED TAYLOR,
14 Jordan Lane,
Edinburgh,
June 7.

Investment and Finance

City Editor
Anthony Hilton

THE TIMES

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STOCK EXCHANGES

FT Index 727.8 up 13.7
FT 100 82.3 up 0.16
Bargains 23.005
Datastream USM Leaders
Index: 97.94 up 1.49
Tokyo: Nikkei Dow Jones
index 8711.73 up 9.05
Hongkong: Hang Seng Index
987.79 up 0.9
New York: Dow Jones Average
(latest) 240.58 down 1.61

CURRENCIES

LONDON CLOSE
Sterling \$1.5305 up 65pts
Index 84.3 up 0.3
DM 3.9050 up 0.0075
FF 11.7450 up 0.025
Yen 366.75 up 1.05
Dollar
Index 125.4 up 0.3
DM 2.5490 down 2pts
Gold
\$418.50 up \$5.50
NEW YORK LATEST
Gold \$418.50 up \$5.50
Sterling \$1.5310

INTEREST RATES

Domestic rates
Base rates 9%
3 month interbank 9% - 9%
Euro-currency rates
3 month dollar 9 1/8% - 9 1/8%
3 month DM 5% - 5 1/4%
3 month 15 - 14%
ECGD Fixed Rate Sterling
Export Finance Scheme IV
Average reference rate for
interest period May 4 to June
7, 1983 inclusive: 10.334 per
cent.

PRICE CHANGES

Chloride 26 + 3p
Chloride "A" 175 + 20p
Rotaprint 13.5p + 1.5p
Premier Coils 44.5p + 4.5p
Kleinwort Benson 353 + 35p
Hawkins & T 34p + 3p
Montfort Knit 43 - 7p
S. Helena 22.25 - £2.125
600 Group 65.5p - 4p
Marleval 287p - 20p
Rotax 56p - 4p
Glossop 63p - 4p

TODAY

Interlomas Aldcom Int'l, S & W
Berisford, J H Fenner Holdings,
Frisch British Dredging, feed-back,
London & Associated
Investment Trust, Marshalls
(Halifax), Paterson Jenks,
Walker & Staff Holdings,
West's Group International,
Whitcroft.
Economic statistics: Cyclical
indicators for the UK
economy (May).

NOTEBOOK

Mezzanine Capital Corporation,
a fund specializing in
providing "mezzanine" and
"leverage" buyout finance in
the US, is offering 3 million
participating redeemable preference
shares for subscription
to the public.
Uncertainty over interest rates
overshadow the gilt market.
Page 14

Trafalgar House
bid decision

Mr Cecil Parkinson, the
Trade and Industry Secretary, is
expected to decide today or
tomorrow whether to issue £30m
bid by Trafalgar House for P & O.
Q should be referred to the
Monopolies and Mergers
Commission.
Trafalgar has said that if the
bid was allowed to proceed it
would cooperate with a government
investigation into the shipping industry.

● **SOTHEY PURCHASES:**
Mr Alfred Traubman, the American
property millionaire, admitted
owning just over 10 per cent of
Sotheby's, for which he hopes to
make a full bid. He revealed more
small purchases, with 620p per share
being the highest price paid. That is
only 10p short of the price put
forward by rivals, Knoll International
Holdings.

● **NORTON'S THROW:**
Norton Opa is unlikely to
reveal an increased offer today
for John Waddington, the
Monopoly game makers. It's all
share offer was dwarfed on
Friday by a bid from British
Printing and Communications
Corporation. Norton, obliged to
make some statement under
takeover rules, is more likely to
extend until details of BPCC's
bid and Waddington's defence
has emerged.

● **MEXICO RIGHTS:** Mexico
Fuad Inc is to issue up to
4.9m new shares with a rights
issue. The issue, which will
nearly double the share capital,
is being made because of
investment opportunities in
Mexico. The price will be set at
the time of the offering.

WALL STREET

Early rise
in stocks
reversed

New York, (AP Dow Jones) -
Stocks turned downward after
moving higher in early trading.
The Dow Jones Industrial
Average was down about three
points after its first hour
advance of more than five
points. Declining issues moved
ahead of advances.

Trading was moderately active
with relatively few large
block transactions.
Two important developments
over the weekend were
received calmly. Mr Larry
Prudential, first vice-president of
Prudential-Bache Securities,
said: "There was no surprise in
Paul Volcker's reappointment
to head the Fed and there was
no surprise in the big rise in the
money supply. The Volcker
news may have provided some
encouragement to the unin-
formed. And next week's money
supply is duty-bound to drop
back."

Mr Wachtel said that after six
sessions of advance "tired
blood" showed on Friday and
probably would again. The
market's initial blip upward in
the morning was cut into by
profit-taking.

American Telephone & Tele-
graph fell 1/2 to 63 1/2. Bethlehem
Steel 1/2 to 23 1/2, and General
Electric 1/2 to 56 1/2.
General Motors rose 1/2
to 71 1/2. Digital Equipment 1/2
to 113 1/2 and Southern Pacific 1/2
to 71 1/2. Westinghouse was down 1/2
at 51 1/2. Honeywell was up 1/2
at 114 1/2. International Business
Machines was up 1/2 at 121 1/2.
and Commodore International
was down 1/2 at 55 1/2.

Merrill Lynch was 105 1/2, up
1/2. Atlantic Richfield was 48 1/2,
up 1/2. Burlington Northern
was 89 1/2, down 1/2. Cummins
Engine was 61 1/2, down 1/2.
Philip Morris was 60, up 1/2. R
J Reynolds was 51 1/2, up 1/2.
and American Brands was 50 1/2,
up 1/2.

Members of the Billes family
which controls Canadian Tire,
the company for which Imasco,
an associate of BAT Industries,
is thinking of offering
£31,000m (£33m), said yesterday
that they would resist what
could be the British conglomerate's
biggest deal.

The development is a major
obstacle to Imasco's indicated
offer, revealed over the week-
end, because it has said a formal
bid will not be mounted unless
the family, management and
dealers, who operated Canadian
Tire's franchise outlets agree.
Imasco, which is 40.5 per
cent owned by BAT, also faces
problems with the Foreign
Investment Review Board. Mr
Paul Pare, chairman of Imasco,
will argue that Imasco is a
Canadian company, that its
business integrates with that of
Canadian Tire, and that Imasco
took the initiative. But BAT
threw its weight behind Imasco
yesterday and said that it will
put up £100m from group funds
if the offer proceeds.

Canadian Tire is a retailing
operation which franchises the
right to run 165 stores through-
out the country. It sells
merchandise to the franchise
holders from a mail order
catalogue. Last year it earned
pretax profits of £31.14m on
sales of £31.78m.

Imasco controls the Hardee's
fast food and Shoppers Drug
Mart chains in the United
States. It has suggested paying
£347 cash and about three-
quarters of an Imasco share,
equivalent in total to £372, for
each Canadian Tire share. The
Canadian Tire price was sus-
pended in Toronto at £35.8m.

But Mr David Billes, who,
with Alfred and Martha Billes,
holds 30.4 per cent of Canadian
Tire, said yesterday that he
would try to buy another 30.4
per cent which is to be sold by
charitable trustees on a court
order. The employees of Canadian
Tire own 12 per cent, the
dealers 9 per cent, and the
public 18 per cent.

Equity Capital for Industry is
furiously trying to revamp its
investment portfolio in an
attempt to cast off its tarnished
city image as an unsuccessful
leader of last resort to ailing
companies.

Under the guidance of a new
management team led by Sir
Nigel Foulkes, who took over
from Lord Plowden as chair-
man earlier this year, ECI has
begun to reduce its investments
in recovery situations.

In the ECI annual report
published today Sir Nigel says
that to do its job properly ECI
needs a portfolio which embraces
not only recovery situations,
but also well managed smaller
listed companies and unlisted
companies.

The aim is to organize a
portfolio which is split equally
between these three areas.

By David Young

Kuwait has taken a 10 per
cent stake in Volkswagen the
West German car company, in a
deal worth more than £92m as
part of what is being seen as a
move of a proportion of its
investments from Britain into
West Germany.

The purchase of Volkswagen
shares has been taking place in
the open market since the start
of the year and is the fifth big
investment by Kuwait in West
Germany.

The Kuwaiti investment
authorities now have a 14 per
cent stake in Mercedes-Benz,
24.9 per cent of Hoechst, the
chemical company, 20 per cent
of Metallgesellschaft, the en-
gineering group and 30 per cent
in Korf Stahl, a small steelmaker
which is insolvent. A 10 per
cent stake in Volkswagen's
Brazilian subsidiary has also
been built up.

It is understood that Britain
will remain the main centre for
Kuwaiti investment in Europe -
an estimated £440m worth of
holdings have been built up in
Britain's industrial and com-
mercial sectors - although the
Kuwait Investment Office has
never officially commented on
its investment policy.

Since the sale in March of its
10 per cent stake in the Scottish
mining equipment maker An-
derson Strathclyde during the
takeover bid from Charter
Consolidated the Kuwaitis have
been concentrating their new
investment activity in West
Germany.

The Volkswagen stake has
been built up after the company
announced a £40m first quarter
worldwide loss. The Kuwaiti
move was first revealed at the
annual meeting of Hoechst
when Herr Rolf Sammer, the
chairman was asked about the
24.9 per cent holding that had
been built up by Kuwait in his
company.

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authorities now have a 14 per
cent stake in Mercedes-Benz,
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of Metallgesellschaft, the en-
gineering group and 30 per cent
in Korf Stahl, a small steelmaker
which is insolvent. A 10 per
cent stake in Volkswagen's
Brazilian subsidiary has also
been built up.

Group Lotus shares rose 6p
to a high for the year of 56p
yesterday as the competition for
providing finance for the trou-
bled Norfolk-based sports car
manufacturer gathered pace.

Toyota, the Japanese car
manufacturer, Mr David
Wilkins of British Car Auctions
Group, and Sir Clive Sinclair,
who hopes to build electric cars
in the West Belfast factory
formerly owned by the failed De
Lorean company, have all
expressed interest in providing
substantial quantities of new
equity finance for Lotus.

Yesterday Mr Wilkins was
still in talks with the Lotus
directors and Guinness Mahon,
their financial advisers. He had
hoped to agree a deal which
would give British Car Auctions
a one third stake in Lotus for
£3.5m.

Sir Clive Sinclair has had
exploratory talks with Guinness
Mahon on providing finance for
Lotus. But further talks are
planned.

Sir Clive has an option to
purchase most of the assets of
the De Lorean car plant at
Dunmurry for the manufacture
of electric vehicles. Lotus did
most of the engineering develop-
ment work on the De Lorean
sports car.

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Mezzanine Capital Corporation Limited

Offer for Subscription

of
3,000,000 Participating Redeemable Preference Shares
of nominal value US 1 cent each

Bearer Depositary Receipts at US\$10.00 per share

arranged by

Charterhouse Japhet plc

<i>Authorised</i>	
100	Founders' Shares of US\$1 each
15,000,000	Participating Shares of US 1 cent each
15,000,000	*Unclassified Shares of US 1 cent each
<u>30,000,100</u>	
<i>Issued, to be issued and now being offered</i>	
100	Founders' Shares of US\$1 each
10,000,000	Participating Shares of nominal value US 1 cent each payable as to US\$5.00 per share on application and US\$5.00 per share on 15th June, 1984
<u>10,000,100</u>	

MCC has no loan capital (including term loans) outstanding or created but unissued and no outstanding mortgages or charges or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances or acceptance credits, hire purchase commitments, or guarantees nor any other contingent liabilities.

The procedures for subscription and payment of the final instalment and an Application Form are set out below.

This Offer is made in conjunction with arrangements made by Charterhouse Japhet plc with certain institutions both in the United Kingdom and abroad who, together with The Charterhouse Group plc and Electra Investment Trust P.L.C., have agreed, subject to the level of acceptances received pursuant to this Offer, to take up not less than 9,210,000 Participating Shares evidenced by BDRs. Further details of these arrangements are set out herein.

The following information is derived from the full text of this Prospectus and should be read in conjunction therewith: —

Objectives: The objective of the Company is to provide investors with a high rate of return in the form of both current income and capital gains through mezzanine investment primarily in the United States.

Size of Issue: Although the Offer has not been underwritten, certain institutions both in the United Kingdom and abroad have agreed to take up 5,060,000 Participating Shares evidenced by BDRs through arrangements made in conjunction with the Offer and referred to in paragraph 5(e) of the Appendix hereto. Up to an additional 550,000 Participating Shares evidenced by BDRs may be taken up by certain other institutions by not later than 24th June, 1983 pursuant to those arrangements. In addition, CG and EIT have each agreed to subscribe for, or to procure an affiliate to subscribe for, a maximum of 2,075,000 Participating Shares.

If applications are received pursuant to the Offer which would otherwise cause the Issuer to exceed 10,000 Participating Shares, the commitments of CG and EIT will each be reduced by one half of such excess in accordance with the arrangements summarised in paragraphs 5(f) and (g) of the Appendix hereto.

If the Offer is fully subscribed the total number of Participating Shares issued will, therefore, be 10,000,000 and in no event will the total number of Participating Shares issued be less than 9,210,000.

Terms of Issue: The Participating Shares being issued are to be evidenced by BDRs and are payable as to \$5.00 each on application and as to \$5.00 by not later than 15th June, 1984.

Bearer Depositary Receipts: BDRs evidencing Participating Shares will be issued by Manufacturers Hanover Bank (Guernsey) Limited, as Depositary, pursuant to an agreement between the Company and the Depositary. Successful applicants pursuant to the Offer will become holders of BDRs and not direct shareholders in the Company, although, in substance, their rights against the Company, which must be exercised through the Depositary, remain the same. Further information on the BDRs is set out below.

Minimum Subscription: There is a minimum subscription pursuant to the Offer of \$1,000 for one Unit of 100 Participating Shares of which \$500 is payable on application. All subscriptions must be for stipulated multiples of Units as shown below.

Status: The Company has been incorporated with limited liability under the Companies Law, 1960, Cap 22 of the Cayman Islands, as amended, as an exempt company.

Duration: The Company will have a life of eight years unless extended by a resolution of shareholders passed by more than fifty per cent. of the votes cast at an extraordinary general meeting to be held seven and a half years from the date of this Offer. Where the life of the Company has been extended, the Directors will not take steps to wind up the Company until a further four years have elapsed.

Distribution and Redemption Policy: It is the Company's policy to distribute all current net income. The proceeds of loan redemptions and realisation of investments will generally be applied in full, subject to the costs of carrying on the Company's business, in redeeming Participating Shares. All amounts available for distribution or redemption will be paid out to shareholders at six monthly intervals. For further details see below

Taxation: The Company will be organised in such a way as, so far as practicable, to seek to minimise the incidence of taxation and to provide the most beneficial treatment to the broadest range of investors. It is the intention of the Directors that the Company will not be resident in the United Kingdom and that it would not be deemed to be a close company if it were so resident.

Listing: Application has been made to the Council of The Stock Exchange, London for the BDRs evidencing the Participating Shares to be admitted to the Official List.

In particular neither the Participating Shares nor the BDRs have been or will be registered under the Securities Act of 1933 of the United States of America, and offers and sales of the Participating Shares or the BDRs have not and will not be made in the United States or to US persons as part of the offering thereof. The Participating Shares or the BDRs may not subsequently be offered, sold directly or indirectly in the United States or to a US person subsequently to the exemption from the registration requirements of such Securities Act of 1933. For this purpose, United States means the United States of America, its territories and possessions, and any areas subject to its jurisdiction, and US person includes any national or

"Company" or Mezzanine Capital Corporation Limited.

"BDRs" Bearer Depositary Receipts, to be issued by Manufacturers Hanover Bank (Guernsey) Limited, evidencing Participating Shares.

"CG" The Charterhouse Group plc.

"CJ" Charterhouse Japhet plc, a wholly-owned subsidiary of CG

"Charterhouse Group" CG and its subsidiaries.

"EIT" **Electra Investment Trust P.L.C.**

"CHUSA" Charterhouse Group International, Inc., a wholly-owned United States subsidiary of CG.

"Manager" Mezzanine Capital Corporation (Managers) Limited, a company incorporated in the Cayman Islands.

"CJA" CJ Administrators (Jersey) Limited, a wholly-owned subsidiary of CJ incorporated in Jersey.

"Depository" Manufacturers Hanover Bank (Guernsey) Limited, a company registered in Guernsey.

"Paying Those paying agents specified herein.

"US Custodian" Manufacturers Hanover Trust Company acting in its capacity as custodian of the US assets of the Company.

"ISA" and The United States of America

03

Other The offer of 3,000,000 Participating Shares to which this Prospectus relates

"Issue" The issue of Participating Shares contemplated by this Prospectus.

Timeline

Application list opens 10 00 a.m. (London time)	24th June, 1983
Application list closes at 12 00 noon (London time)	24th June, 1983
BDR Certificates despatched by	7th July, 1983
Final instalment of \$5.00 per share due not later than	15th June, 1984

Payment

The first instalment is to be paid by means of a cheque or banker's draft drawn in U.S. dollars on a participating office or branch in the City area of a bank in the London U.S. Dollar Clearing Scheme made payable to "Lloyds Bank Plc" and sent or delivered to Lloyds Bank Plc, Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU, so as to arrive not later than 12.00 noon (London time) on 24th June, 1983.

No person has been authorised to give any information or to make any representation save as contained in this Prospectus in connection with the issue, subscription or sale of the Participating Shares to be evidenced by BDRs and, if given or made, such information or representation authorised by MCC.

no person receiving a copy of this Prospectus and/or Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation to him, nor should he in

Mezzanine Capital Corporation Limited *continued***Introduction**

MCC was incorporated in the Cayman Islands on 19th May, 1983 with limited liability as an exempt company.

MCC has been formed to provide specialist investment in the acquisition, merger and leveraged buy-out market in the USA and, to a limited extent, in Canada. It will principally invest in debt securities, generally on a subordinated basis, in return for interest income and a significant participation in the equity of the borrower. This is generally referred to herein as "mezzanine investment".

The term "leveraged buy-out", which is also used on a number of occasions in this Prospectus, refers to a transaction in which a group of investors, usually including the managers of the business in question, buy control of a business mainly with borrowed money. The debt is generally secured on the business's assets. As a result the business itself becomes highly leveraged ("leveraged") and the investors hope to make an above-average return on their equity holding.

MCC is sponsored by CG and EIT, both of which have substantial experience of financially sophisticated transactions in this sector of the market in the USA.

MCC's investment adviser will be CHUSA, a wholly-owned subsidiary of CG with its offices in New York. CHUSA has specialised in the field of leveraged buy-outs and its record in this field is referred to below. Since its establishment in 1973, it has arranged the investment of more than \$12,000,000 of equity in leveraged buy-outs for the Charterhouse Group which, both in terms of disposal proceeds and current values of unrealised investments, have produced a total return of approximately \$71,000,000.

As a result of their experience of investment in the USA, the sponsors have identified a major opportunity for the specialist use of relatively large sums of money in mezzanine investment in which CHUSA will perform a key role in providing day-to-day investment advice to MCC. The purpose will be to provide the investor with a high current return from interest income, and the progressive redemption of Participating Shares at a gain by the application of loan repayments and capital appreciation from the realisation of equity positions. MCC will normally pay out current income and make capital redemptions out of the proceeds of such repayments and realisations at half-yearly intervals, unless, in certain circumstances, loans are repaid or realisations made within 12 months of the original investment. In this event the capital proceeds, exclusive of any profit earned on the transaction, will generally be reinvested by MCC in new investments. None of MCC's profits will be reinvested. Redemption of Participating Shares will not, in any event, commence until the second instalment due on such shares has been received and they are fully paid. Any capital realised during such period will be held on deposit pending such redemption.

Directors of MCC

The Board of Directors of MCC consists of the following:—

Warren A. Law: aged 59. Director of CHUSA since 1980, resigned to become Chairman of MCC in May 1983; Edmund Cogswell Converse Professor of Finance and Banking at the Harvard Graduate School of Business Administration where he has been a faculty member since 1958.

Edward G. Cox: aged 50. Director of CG; Chairman of Charterhouse Development Limited; Chairman of CHUSA; Deputy Chairman of CJ; 1971-80 Managing Director, Charterhouse Development Limited; 1966, joined Charterhouse Development Limited; 1963-68, Inbucan Limited; 1961-63, Siebe Gorman & Co. Limited. Chartered Accountant; BSc: Advanced Management Program, Harvard Graduate School of Business Administration.

Merrill M. Halpern: aged 49. President, Chief Executive Officer and Director of CHUSA; 1970-73 President Merrill Halpern & Co.; 1969-70 General Partner, H. Hertz & Co. Inc.; 1962-68 Vice President, McDonnell & Company. Certified Public Accountant. Education: Master of Business Administration, Harvard Graduate School of Business Administration 1962; Bachelor of Business Administration, Rutgers University, 1956; Director of the Manager.

Jerome L. Katz: aged 49. Executive Vice President and Director, CHUSA; 1972-73 Vice President, Corporate Finance, Ladenburg, Thalmann & Co. Inc.; 1969-72 Vice President, Corporate Finance, H. Hertz & Co. Inc. Education: Advanced Management Program, Harvard Graduate School of Business Administration, 1976; Master of Business Administration, New York University, 1981; Ohio State University, Bachelor of Science in Finance, 1956.

Keith P. H. Mackenzie: aged 40. Managing Director, Charterhouse Japhet (Jersey) Limited; 1977-80 Managing Director, Roy West Trust Corporation (Panama) Inc.; 1974-77 Managing Director, Royal Bank Trust Company (Jamaica) Limited; 1970-74 Assistant Manager, Royal Bank Trust Company (Cayman) Limited; Director of the Manager; Director of CJA.

Alfred Schechter: aged 63. Chairman and Chief Executive Officer of Paco Pharmaceutical Services Inc. since 1975. Member of the Boards of Leisure Enterprises Inc. and Joseph Kirschner Company Inc.

Michael C. Stoddart: aged 51. Executive of the Electra House group of companies and board member of its two principal listed companies, Globe Investment Trust P.L.C. and EIT; Deputy Chairman and Chief Executive of EIT; Director of other public and private companies in the United Kingdom and U.S. engaged in engineering, finance and retailing.

Michael E. D'A. Walton: aged 39. Executive Director of EIT; 1972-81, executive responsible for Unlisted Investments Electra House Group; 1968-72, J. Henry Schroder Wagg & Co. Limited; 1966-68, Chartered Accountant, Barton Mayhew & Co.; Director of the Manager.

Investment Adviser

MCC has appointed CHUSA to be its investment adviser and to seek out specific investment opportunities for MCC. Details of the agreement under which this appointment was made are contained in paragraph 5(b) of the Appendix.

Since its formation in 1973, CHUSA has specialised in identifying and advising on leveraged buy-outs on behalf of companies in the Charterhouse Group. This activity has involved CHUSA in arranging major investments in eleven companies several of which, in turn, have made acquisitions for their own account under the purview of CHUSA.

As at 31st December, 1982, companies in the Charterhouse Group had invested \$12,746,000 of their own capital in leveraged buy-outs identified by CHUSA out of a total purchase price of \$110,109,000. Of this amount, some \$2,556,000 was invested in situations which are considered to have matured and in which the holdings of companies in the Charterhouse Group have either been sold or are being reduced. As at 31st December, 1982, these investments had produced a total return at such date of \$61,111,000 in the form of cash, marketable securities and notes. In addition, the most recent investments of the Charterhouse Group totalling \$10,190,000, have yet to be realised.

This record has been due to selective investment in relatively low risk businesses, close involvement with management and a financial structure designed to produce high returns for companies in the Charterhouse Group as equity investor. It should be noted, however, that these returns have derived from CHUSA's activities in advising on equity investment in leveraged buy-outs and are not directly comparable to that expected in mezzanine investment. No assurances can therefore be given, or should be made, that investment in MCC will produce a comparable rate of return. EIT has agreed to provide CHUSA and MCC with certain advice and assistance in connection with the finding and evaluation of potential investments. Further details of this agreement are contained in paragraph 5(g) of the Appendix.

The corporate officers of CHUSA are:—

Edward G. Cox Chairman (see above)
Merrill M. Halpern President and Chief Executive Officer (see above)
Jerome L. Katz Executive Vice President (see above)

Joseph P. S. Pampel: aged 50. Vice President Finance; 1974-79, Financial and Data Processing Consultant; 1968-1974, Vice President Corporate Development, Bowne & Company; 1964-66, Executive Vice President and Treasurer, Mactier Publishing Corporation. Education: Master of Business Administration, Harvard Graduate School of Business Administration, 1960, Faculty 1960-61, Bachelor of Science in Chemical Engineering, Case Institute of Technology, 1954.

Kipp Gosewehr: aged 44. Vice President Marketing; 1977-1981, Vice President, First National Bank of Maryland; 1974-77, Vice President and Chief Financial Officer, Educating Systems, Inc.; 1969-1974, Vice President, Security National Bank. Education: Bachelor of Science, International Relations, Columbia University, 1964. Graduate work at New York University Graduate School of Business, 1965-66.

Patricia Riley Merrick: aged 41. Vice President Marketing; 1971-73, Administrative Assistant, The Target Group; 1969-1971, Administrative Assistant, H. Hertz & Co., Inc.; 1966-69, Insurance Broker, Osborne, Post & Kurt, Inc. Education: Bachelor of Arts, Political Science, Hunter College, 1978.

Sponsors

CG is the parent company of an investment and banking group and is listed on The Stock Exchange, London with capital employed exceeding £186,000,000. CG is based in London and was established 49 years ago. It currently has over 125 investments in the United Kingdom, Europe and North America. These are principally in the manufacturing, service and oil industries and the majority of them are in unlisted companies.

CJ, a wholly-owned subsidiary of CG, is a leading merchant bank based in London and is a member of the Accepting Houses Committee providing a wide range of

services to industry and commerce. CJ manages £400,000,000 of clients' funds and has overseas offices in Geneva, Nassau, Philadelphia and Jersey. CJ has shareholders' funds exceeding £65,000,000 and total assets exceeding £884,000,000.

EIT was established over 45 years ago and is an approved investment trust listed on The Stock Exchange and based in London. At 31st December, 1982, subsidiaries of EIT had funds under management in excess of £160,000,000 including unlisted investments valued at over £72,000,000. US unlisted investments, including leveraged buy-outs, real estate and venture capital investments, were valued by the Directors of EIT at over £34,000,000 at that date.

Mezzanine Investment

As mentioned above, mezzanine investment involves investing in debt securities principally on a subordinated basis, in return for both interest income and a significant participation in the equity of the borrower. It therefore almost exclusively involves the creation of debt instruments which rank between senior debt (i.e. debt having priority over the general debt contracted by a company) and equity, but with some of the characteristics of both. It is distinguished from traditional convertible securities in that the interest return will generally be as high as, and often higher than, that on senior bank loans. The equity interest will generally be acquired either at a nominal cost as part of the remuneration for lending or in the form of warrants or options to subscribe for shares.

It is an exceptionally flexible investment medium; each transaction is the subject of private negotiation and provides the best opportunity of utilising the creative and specialised skills developed by CHUSA in arranging financing packages for its existing and past investments.

Mezzanine investment involves investment in situations which are judged to be financially sound but which require outside capital to be properly structured. It is frequently not appropriate, for timing or structural reasons, for companies to seek such capital in the public markets and in such situations MCC will be a competitive source of finance.

The growth of the acquisition market in the USA in terms of the size of transactions has resulted in an increase in the number of equity investors operating in the same manner as CHUSA who are seeking to manage leveraged buy-outs. By contrast, however, there are fewer sources of mezzanine investment comparable to MCC which are capable of providing either the amounts of mezzanine investment or the rapid response required in the acquisition market as a whole.

The Directors of MCC believe that for the reasons stated above and in view of the established reputation in this market of CHUSA, CG and EIT and the substantial funds which MCC will have available, MCC will be able to make attractive investments on advantageous terms.

Investment Policy

The need for mezzanine investment arises in a wide range of cases and is, therefore, unlikely to result in a concentration in any particular industry or region. The intention of MCC is to pursue opportunities where financial ingenuity and support are required rather than promotion of new products, high technology developments or other types of activity which might be classified as venture capital. Venture capital activities will be avoided by MCC.

MCC will therefore continue to employ CHUSA's philosophy in seeking proven businesses with good management and in maintaining its close involvement on the boards of such businesses. However, MCC may be expected to involve itself in a much broader range of transactions, which, for purposes of illustration, may include the following types of transaction:—

Merger and acquisition financing: MCC will invest in operating companies which require additional capital to conclude a pending acquisition or merger. Such transactions may take the form of a joint venture with MCC, the formation of a new company to undertake the acquisition, or the financing of an existing company which is acquiring another company.

Leveraged Buy-Outs: Leveraged buy-outs provide an opportunity for substantial investment in mezzanine investment. For the most part, MCC will invest in buy-outs which are developed and managed by other professional investment groups. However, occasionally the buy-out may be developed and managed by CHUSA.

Corporate refinancing: MCC will invest in companies which are restructuring their finance to provide for growth and increased flexibility at a stage when such companies prefer a privately negotiated transaction to a public flotation or external fund raising. Such refinancings may also apply to companies seeking to enter into joint ventures with other companies which require additional outside capital.

MCC will not in any circumstances take direct legal or management control of any of the portfolio companies in which it invests. CHUSA will arrange for surplus cash to be placed on deposit with leading financial institutions or in money market investments on a temporary basis at the most advantageous rates they can obtain.

Size and Range of Investment

MCC will generally make investments ranging in size from a minimum of \$5,000,000 to a maximum of \$15,000,000, although occasionally an investment may fall outside these parameters. However, it is the intention of the Board of MCC that no individual investment will be made which has a value in excess of 20 per cent. of the gross assets of MCC, for which purpose any existing holding in the company concerned will be aggregated with the proposed new investment. For the most part, MCC will invest in medium-sized companies and will endeavour to maintain a broad range of investments.

Management and Administration

The overall responsibility for management of MCC is vested in its Board of Directors which will meet at least quarterly to review and determine investment policy.

MCC has entered into a management agreement with the Manager under which the Manager, subject to the overriding supervision and control of the Directors, will be responsible for the provision of day to day management and administrative services to MCC including the selection and management of investments (further details of this agreement are given in paragraph 5(a) of the Appendix).

The Manager is incorporated in the Cayman Islands; it has delegated certain of its functions to CJA, a wholly-owned subsidiary of CJ, to which it will pay a fee out of the amount received by it from MCC. The Manager is beneficially owned as to 45 per cent. by CG, as to 45 per cent. by EIT and as to 10 per cent. by CHUSA on behalf of members of its management. It is intended that the percentage interests of CG and EIT will be reduced by certain other financial institutions involved in raising funds for MCC taking an equity interest in the company.

As well as the main board, MCC will have a Board of Representatives consisting of representatives of certain investors holding substantial interests in MCC and certain persons instrumental in procuring substantial investment in MCC. Members of the Board of Representatives will initially be nominated by the Directors. The Board of Representatives will normally meet twice yearly and will provide a forum for comment and advice with power in extraordinary circumstances to requisition a general meeting of the shareholders of MCC. The Board of Representatives has no power to act for or in the name of MCC or to commit or bind MCC in any way. A sub-committee of the Board of Representatives may be established to meet more frequently and when its views on a transaction are required. It will be composed of members of the Board of Representatives serving on a rotation basis.

Management Fees and Other Charges

MCC will pay the following fees and charges:—

1. (a) CHUSA will be reimbursed on an annual basis for the expenses incurred in performing its duties under the Investment Advisory Agreement. MCC and CHUSA have agreed that an amount of \$750,000 will be payable to CHUSA in the first year in reimbursement of that portion of its costs which are attributable to its activities on behalf of MCC. This is exclusive of certain advertising and travelling costs incurred by CHUSA which will be separately reimbursed by MCC.

(b) An annual fee to the Manager initially fixed at \$100,000 for performing its duties under the Management Agreement.

(c) An annual fee to EIT initially fixed at \$135,000 in consideration of certain advice and assistance that EIT has agreed to render to CHUSA and MCC in connection with the finding and evaluation of potential investments.

Each of the amounts set out above will be increased by 10 per cent. compound for each of the two subsequent years. Thereafter the amounts will be reviewed in the light of current projections of expenditure and new amounts will be fixed for the ensuing period, subject to approval by the Board of MCC at a meeting at which Directors associated with the interested parties will not be entitled to vote.

2. A fee to the Manager of an amount equal to 20 per cent. of the capital gains realised by MCC, provided that:—

(a) an amount equal to 20 per cent. of any capital losses previously realised by MCC will be notionally carried forward and set against any such entitlement so that only the balance thereof will be payable, any such unrealised losses

being notionally carried forward to set against further capital gains (if any); and

(b) no such amount will be paid to the Manager unless and to the extent that following such payment the net asset value per Participating Share of MCC would be equal to or greater than 100 per cent. of the original subscription price of those Participating Shares which then remain outstanding. Before a payment may be made to the Manager the Directors of MCC will call for a report from the Auditors on the net asset value of MCC. This will be based upon MCC's portfolio of investments, as valued by the Directors having regard to the opinions of independent professional advisers considered by the Directors as qualified to express a view on such investments. It will also take into account the amount of any provision maintained by the Directors as described under "Distribution and Redemption Policy and Accounts" below.

This fee will only be payable to the Manager as from the date that the proceeds of sale of the investment producing the relevant gain are paid out to shareholders and will take into account all transactions occurring during the preceding financial period. MCC will also pay the preliminary expenses referred to in paragraph 2 of the Appendix and the other fees referred to in paragraph 6 of the Appendix.

Avoidance of Conflict

CG and EIT have each entered into agreements with MCC and the Manager under which they have agreed that if either of them becomes aware of a proposal for investment which involves an element of mezzanine investment and falls within MCC's investment policy, it will refer such proposal to CHUSA which will, if it considers it a suitable investment, make a recommendation for acquisition by MCC. Investment opportunities where the mezzanine investment involved in the transaction does not exceed \$5,000,000 need not be referred to CHUSA and may be acquired by CG and EIT for their own account. Further details of these agreements are contained in paragraphs 5(f) and (g) of the Appendix.

The agreement appointing CHUSA provides that CHUSA need not generally present any investment opportunity to MCC where the portion of mezzanine investment involved in such transaction does not exceed \$5,000,000.

If CHUSA becomes aware of a transaction which involves a leveraged buy-out where the total value is in excess of \$75,000,000, CHUSA must offer the transaction of such investment to MCC, or offer to organise such investment on behalf of MCC. If MCC decides to invest therein the brokerage fees or other benefits will accrue to MCC and not to CHUSA. In such circumstances, MCC may invest in both the equity and mezzanine portion of the transaction. If MCC decides not to invest therein, CHUSA shall be able to offer such investment to any other party.

If CHUSA becomes aware of a leveraged buy-out which involves a portion of mezzanine investment and the total value of the transaction is \$75,000,000 or less, provided that at least 50 per cent. of the mezzanine portion is offered to MCC, CHUSA will be entitled to refer the transaction to other companies (including companies in the Charterhouse Group) for equity investment for their own account. Such companies will be entitled to retain any brokerage fees or other benefits without liability to MCC. In such circumstances, investment by MCC will require the approval of the Board of MCC at which meeting the Directors associated with CHUSA and CG will not be entitled to vote. In addition, before MCC invests in the mezzanine portion of the transaction, CHUSA must have arranged for an unrelated third party or parties to invest in the mezzanine portion an aggregate amount at least equal to 15 per cent. of MCC's investment and on substantially the same terms, unless the Board of MCC otherwise agrees.

Subject as expressly stated herein, if EIT or any of its subsidiaries or any member of the Charterhouse Group is involved in or would in any way benefit from any transaction which is proposed to MCC for investment, such transaction will be subject to the approval of the Board of MCC at which meeting the Directors associated with the company interested in such transaction will not be entitled to vote.

US Custodian

MCC has appointed the US Custodian to be responsible for holding MCC's assets in the USA. Further details of this Agreement are contained in paragraph 5(c) of the Appendix.

Borrowing Policy

The Directors do not envisage making use of the borrowing powers available to MCC, detailed in paragraph 1(d) of the Appendix, save in exceptional circumstances. These may include the following:—

- if the first instalment on the Participating Shares has been invested, and a further investment opportunity arises before the second instalment is due, MCC may finance the acquisition of such investment by borrowing up to 50 per cent. of the amount of the uncalled capital, such borrowing to be repaid out of the subscription moneys;
- loans may be arranged to enable MCC to finance payment of sums due on exercise of subscription warrants, share options or other similar rights in cases where the securities received by MCC following exercise of such rights are to be sold in the market, possibly over a period of time, in order to realise a profit which will subsequently be distributed to shareholders following repayment of any such loan;
- MCC may issue guarantees or letters of credit in connection with an investment where actual provision of finance is not required but only, in aggregate, up to 15 per cent. of the current net asset value of MCC.

Distribution and Redemption Policy and Accounts

It is intended that substantially the whole of the distributable net income of MCC will be paid out at half-yearly intervals subject to the retention of sufficient reserves to meet MCC's working capital requirements, which are not expected to be of a significant amount. Such dividends will only be paid to the extent that they are covered by dividends and interest received from underlying investments. The first dividend will be payable in respect of the period from incorporation to 30th November, 1983.

It is also intended to pay out on a half-yearly basis by way of redemption of Participating Shares amounts attributable to the realisation of investments during the relevant period subject, however, to the retention of an amount equal to the management fee payable in respect of any capital profit arising therefrom and the establishment of a provision to meet other liabilities.

The Directors are unable to state in advance when realisations are likely to be made of MCC's investments as these will depend on a number of factors prevailing at the time including the availability of a suitable market for such investments and the further potential for growth in value. However, as mezzanine investment involves the provision of loan capital to portfolio companies, this may be on terms providing for its progressive repayment. Accordingly, it is expected that there will be an early and regular flow of capital to be returned to shareholders. The Directors reserve the right to make returns of capital to shareholders notwithstanding that MCC may not yet be fully invested. They are, however, not likely to recommend returning to shareholders any part of the capital which has been advanced to a portfolio company on terms requiring its repayment within 12 months, other than any profit element deriving therefrom, and such capital will generally be re-invested by MCC. In any event, no Participating Shares may be redeemed until the final instalment due on the Participating Shares has been received and they are fully paid.

CHUSA will provide to the Manager and the Board of Directors of MCC a statement for each financial quarter which will include a report on each of the investments held by MCC. On a half-yearly basis, to coincide with the consideration of the amount, if any, available for the redemption of Participating Shares, such report will contain recommended valuations for such investments which will be reviewed by independent professional advisers considered by the Directors as qualified to express a view on such investments. The Directors will revalue such investments having regard to these opinions, and such revaluations shall form the basis of the half-yearly and end-year accounts. The accounting year of the Company will end on 31st May in each year.

Duration of MCC

The Articles of Association of MCC provide that the Directors of MCC shall take steps to wind-up MCC in June, 1991 and, to the extent that distributions have not already taken place, its net assets shall be returned to shareholders, unless on or before the end of 7½ years from the date of its incorporation at an Extraordinary General Meeting to be convened at the time it is resolved by a majority of the votes cast at such meeting that the duration of the Company should be extended until June, 1995, at which time the Directors will take steps to wind-up MCC.

Bearer Depositary Receipts

The BDRs evidencing the Participating Shares will be issued by the Depositary pursuant to an agreement ("the Deposit Agreement") dated 24th May, 1983 and made between MCC, the Manager and the Depositary. The BDRs will evidence the interest of the holders thereof in Participating Shares, the certificates for which will have been deposited by MCC with or to the order of the Depositary. Application has been made for the BDRs to be listed on The Stock Exchange, London.

Mezzanine Capital Corporation Limited continued

The BDRs will be in bearer form, transferable by delivery and will be denominated in units of 100 Participating Shares ("Units"). The number of Participating Shares comprising a Unit shall be subject to variation from time to time as described below. The BDRs will initially be issued in partly-paid form evidencing partly-paid Participating Shares. On payment of the final instalment of \$500 per Unit, due on the partly-paid BDRs by not later than 15th June, 1984, holders will be required to surrender their partly-paid BDRs to any of the Paying Agents or the Depositary and will receive in exchange therefor BDRs in fully-paid form. Failure to pay the final instalment on or before 15th June, 1984 will render the amount paid on acceptance of a partly-paid BDR liable to forfeiture and the relevant shares liable to cancellation. In such an event the partly-paid BDR shall cease to be of any value. In any event no distribution will be made in respect of any partly-paid BDR after 15th June, 1984, other than in relation to the coupon-issued therewith if it has matured by that date. Any person dealing with a partly-paid BDR after that date will have to satisfy himself by enquiry of the Depositary whether or not the shares to which it relates have been forfeited. Each BDR will have attached to it a number of coupons, one for each income distribution and one for each capital payment made on redemption of Participating Shares evidenced by the BDR. No redemptions will be made, however, of partly-paid Participating Shares, evidenced by partly-paid BDRs. Payments will be made in dollars and will be obtainable by presentation of the relevant coupon at the specified office for the time being of a Paying Agent or the Depositary. Payment will be made after deduction of all fees, taxes, charges, duties and expenses which the Company, the Depositary or any Paying Agent is entitled or required to deduct in respect thereof. Further details of the fees payable to the Depositary are set out in paragraphs 5(h) and 6(ii) of the Appendix.

In the case of a distribution of, or a dividend in, Participating Shares no new BDRs will be issued but the number of Participating Shares represented by a Unit will be varied in accordance with the provisions relating to variations of capital outlined below.

The Depositary will give notice to holders of BDRs of their entitlement to receive an income or capital payment and of the date from which payment thereof may be claimed. Capital payments will reflect the redemption procedures relating to the Participating Shares set out in paragraph 1(a) (vii) of the Appendix.

Notices to holders of BDRs will be given by publication in the Financial Times in London and in the International Herald Tribune published in Singapore or, if this is not for any reason practicable, in such other newspaper or newspapers or in such other manner as the Depositary, with the consent of the Manager, may determine.

If there shall occur any split, consolidation, reduction, redemption or repayment of any of the Participating Shares (any such event being hereinafter referred to as a "Variation of Capital") then each Unit shall be deemed to be varied so as to comprise such different number of Participating Shares as equals the number of Participating Shares which were comprised in a Unit immediately prior to the Variation of Capital multiplied by a fraction, the numerator of which is the total number of Participating Shares in issue immediately after the Variation of Capital has taken place, and the denominator of which is the total number of Participating Shares in issue immediately prior to the Variation of Capital. If the Variation of Capital only involves a variation in the nominal value of the Participating Shares then each Unit shall be deemed to represent the same number of Participating Shares as prior to the Variation of Capital but of such different nominal value.

The holder of a BDR will be entitled to attend and speak at meetings of MCC shareholders and may exercise his vote by depositing the BDR at the specified office of the Depositary or of any Paying Agent, and instructing the Depositary as to the exercise of the voting rights attached to the Participating Shares evidenced by such BDR. In the absence of such instructions, the Depositary will not exercise such voting rights.

The Depositary shall be obliged, upon the requisition of holders of BDRs representing not less than one-tenth of the Participating Shares then in issue, to exercise its rights in relation to such Shares to requisition a meeting of MCC.

The Deposit Agreement contains provisions for convening meetings of BDR-Holders to consider any matter affecting their interests. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing BDRs evidencing a clear majority in number of the Participating Shares for the time being in issue, or at any adjourned meeting two or more persons being or representing BDR-Holders whatever the number of Participating Shares evidenced by the BDRs so held or represented. An Extraordinary Resolution passed at any meeting of BDR-Holders will be binding on all BDR-Holders, whether or not they are present at the meeting.

If the coupons attached to a BDR become exhausted the Depositary will, against surrender of the talon attached to the BDR, issue further coupons. BDRs or coupons which have been worn out, defaced, lost or destroyed will be replaced by the Depositary upon payment of its remuneration and expenses, and provision of such evidence and indemnity as the Depositary may require. BDRs shall always evidence an integral number of Units. Transactions may only take place in such integral numbers of Units.

Taxation

(a) The Company

MCC is incorporated in the Cayman Islands and has applied for, and can be expected to obtain, an undertaking from the Cayman Islands authorities that, for a period of twenty years, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or accretions shall apply to MCC nor shall any such tax or any tax in the nature of estate duty or inheritance tax be payable on the Participating Shares.

Incorporation and stamp duty fees in the Cayman Islands on the incorporation of the Company amounted to the equivalent of \$1,080. The annual filing fee payable each year by the Company in the Cayman Islands is currently the equivalent of \$580.

It is the intention of the Directors that the control and management of MCC will be exercised in such a way that, so far as practicable, it will not be resident in the United Kingdom. In any event it is expected that MCC would not be deemed to be a close company if it were so resident.

The Directors have been advised, on the basis of their proposals for the administration and management of MCC and, assuming certain operating principles are followed, that the Company ought not to be treated as engaged in a trade or business in the USA. On this basis any gains arising on the disposal of investments in the USA other than gains from direct and certain indirect investments in real estate, will not be subject to taxation in the USA. Net gains from the disposal of direct and certain indirect interests in real estate will be subject to United States tax, generally at a rate of 28 per cent, if the interest has been held for more than one year.

Were MCC to be treated as engaged in a trade or business in the USA its income, including gains from the disposal of investments, would be subject to US federal tax at rates of up to 48 per cent.

Interest and dividends paid by US corporations to foreign corporations are in general subject to a 30 per cent withholding tax except to the extent provided by tax treaty. While it is the Directors' intention to invest in investments yielding material levels of income through a Netherlands subsidiary, and thus to take advantage of the US-Netherlands treaty for the relief of double taxation, this treaty is currently being renegotiated and there can be no assurance that its benefits will be available to MCC throughout its lifetime. Some tax will be payable in the Netherlands on such income but it is not expected to be substantial in the context of this issue and should be significantly less than would be applicable if investment were made directly into the USA by MCC.

Regulations issued by the US Treasury Department may in certain circumstances require disclosure of the identity of shareholders of a foreign corporation that has significant direct or indirect investments in US real property. In the event that such regulations apply to MCC it is anticipated that MCC will seek to enter into security agreements with the Internal Revenue Service so that it will not be required to make any such disclosure.

(b) The Investor

Neither the Cayman Islands nor Guernsey require the deduction of any tax at source upon payment of dividends neither do they levy taxes upon income, capital or wealth, capital gains, inheritances and gifts in respect of persons to whom this Offer is made. No stamp duty is levied in the Cayman Islands on the issue or redemption of Participating Shares or in Guernsey on the issue or redemption of BDRs. No transfer duty will be payable in the Cayman Islands or Guernsey by reference to transfers of BDRs.

Were MCC to be treated as engaged in a trade or business in the United States, distributions to its shareholders out of earnings and profits may (except as provided by tax treaty) be subject to a 30 per cent withholding tax.

Section 450 of the Income and Corporation Taxes Act 1970 of the United Kingdom ("the Act") empowers the Board of Inland Revenue of the United Kingdom ("the Revenue") in certain circumstances to counteract advantages obtained from transactions in securities and to charge to tax as income gains arising from such transactions. Clearance has been obtained from the Revenue that the provisions of Section 450 of the Act will not apply to the issue or subsequent transfer of BDRs evidencing Participating Shares in MCC or to their subsequent redemption. The Revenue are unable to indicate at present whether the proposals for winding up the Company contained herein will receive clearance since that must depend upon the circumstances at the time when the transactions are carried out. The Directors propose to make further application to the Revenue for the relevant clearance prior to taking steps to wind up the Company. The Directors of MCC have been advised that, on the basis of current Revenue practice, there is no reason why the provisions of Section 450 of the Act would be applied to the proposals for dissolution provided the circumstances of MCC at that time are similar to those pertaining at the date of issue.

Residents of the United Kingdom will normally be liable to United Kingdom tax on dividends received from MCC. For United Kingdom tax purposes, the proceeds from repayments consequent upon the redemption of Participating Shares by or the winding up of MCC will not, under existing legislation and subject as mentioned below, constitute income unless the recipient is regarded as trading in securities, but any profits realised by a person resident or ordinarily resident in the United Kingdom may be subject to tax on chargeable gains.

In exceptional circumstances, if a holding of BDRs is connected with a branch or agency in the United Kingdom of persons resident outside the United Kingdom there may be a liability to taxation in respect either of the income or other proceeds from such holdings.

The attention of individuals ordinarily resident in the United Kingdom is drawn to Section 478 of the Act and to Section 45 of the Finance Act 1981 which may, in certain circumstances, render them liable to taxation in respect of the undistributed income and profits of the Company. It is anticipated that the provisions of Section 15 of the Capital Gains Tax Act 1979 (under which gains of non-resident companies can be apportioned to certain United Kingdom resident shareholders) will not apply to the Company.

The United Kingdom Finance Bill, as originally ordered to be printed on 21st March, 1983, contained clauses which have now been deleted from the Finance Act 1983 in view of the United Kingdom General Election, but which were to have come into force in 1984. If reintroduced in a similar form in a further Finance Bill the provisions may in certain circumstances subject companies resident in the United Kingdom to tax on the profits of companies resident outside the United Kingdom in which they have an interest. The draft legislation was such that it was unlikely to be of concern to holders of BDRs, as it affected companies which were controlled for the purposes of the legislation by persons resident in the United Kingdom and which did not implement full distribution policies, and it is not anticipated that such circumstances will arise in relation to MCC. The draft legislation was not directed towards taxation of capital gains.

The foregoing information is based on the law and practice currently in force in the Cayman Islands, Guernsey, the United Kingdom and the United States and is subject to changes therein.

Prospective investors should consult their professional advisers on the possible consequences of acquisition, holding, disposal, redemption or repayment on liquidation of BDRs under the laws of the jurisdictions to which they are subject.

Accountants' Report

The following is the text of a report received by the Directors of MCC from Price Waterhouse, the Auditors of MCC:

The Directors,
Mezzanine Capital Corporation Limited,
Cayman International Trust Building,
PO Box 309,
George Town,
Grand Cayman,
British West Indies.

Price Waterhouse,
26 Queen Street,
St Helier, Jersey,
Channel Islands.

10th June, 1983

Dear Sirs,

We report that Mezzanine Capital Corporation Limited was incorporated on 19th May, 1983 and since that date has not commenced business and has not made up accounts or declared or paid any dividends.

Yours faithfully,
Price Waterhouse
Chartered Accountants

Appendix: General Information

1. Corporate Structure

(a) Constitution, Share Capital and Share Rights

The Company was registered with limited liability on 19th May, 1983 under the provisions of the Companies Law 1960, Cap 22 of the Cayman Islands, as amended. The constitution of the Company is defined in its Memorandum and Articles of Association. The Articles of Association may be altered by Special Resolution, that is a resolution duly proposed and carried as a Special Resolution by not less than two-thirds of the votes recorded at a General Meeting of the Company.

The authorised share capital of the Company is \$300,100 being made up of 100 Founders' Shares of \$1 each, 15,000,000 Participating Shares of 1 cent each and 15,000,000 Unclassified Shares of 1 cent each. Unclassified Shares may be issued as either Participating Shares or Nominal Shares but it is only intended to issue them as Nominal Shares in order to facilitate the redemption of Participating Shares. No Unclassified Shares have been issued at the date of this Prospectus. The Founders' Shares have been issued at par for cash to the Manager or its nominees. The following is a summary of the rights attaching to each class of shares:

(i) Founders' Shares

These exist solely to comply with the laws of the Cayman Islands, which require that the Participating Shares have preference over some other class of share capital. The Founders' Shares carry no right to any dividend and carry one vote each on a poll at a General Meeting of the Company.

(ii) Participating Shares

The Participating Shares rank first in a winding-up for repayment of the nominal amount paid up thereon and, in addition, have the right to all surplus assets available for distribution to shareholders after repayment of the nominal amount paid up on the Founders' Shares and Nominal Shares. Participating Shareholders will receive notices of General Meetings and are entitled to attend and vote thereat.

On a poll a holder is entitled to one vote for every Participating Share held. The Articles of Association of the Company provide that the shareholders of the Company in General Meeting may declare dividends on the Participating Shares (but that no dividend shall exceed the amount recommended by the Directors) and that the Directors may from time to time if they think fit pay such interim dividends on Participating Shares as appear to the Directors to be justified by the profits of the Company. The Participating Shares can be redeemed out of profits of the Company which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purpose of the redemption.

(iii) Nominal Shares

Nominal Shares exist for the purpose of providing funds for the repayment of the nominal amount of Participating Shares on redemption. In practice the only holder of Nominal Shares will be the Manager. They may only be issued at par and have no right to dividends. Every holder of Nominal Shares is entitled to one vote on a poll at General Meetings irrespective of the number of Nominal Shares held by him.

(iv) Dividends

No dividend shall be payable except out of such funds as may be lawfully distributed as dividends provided that in no event shall any dividend be payable out of any funds representing a surplus over book value derived from the sale or realisation of any capital asset or out of funds representing accretions to capital assets.

(v) Variation of Class Rights

All or any of the special rights for the time being issued may (unless otherwise provided by the terms of the issue of the shares of that class) from time to time (whether or not the Company is being wound up) be altered or abrogated with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a resolution passed by a majority of three-fourths of the votes cast at a separate General Meeting of the holders of such shares.

(vi) Calls and Instalments on shares and forfeiture

(a) If a member fails to pay any call or instalment of a call on the day appointed for payment thereon, the Directors may, at any time thereafter during such time as any part of such call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any accrued interest and any costs, charges and expenses incurred by the Company by reason of such non-payment.

(b) The notice shall name a further day (not earlier than fourteen days from the date of service thereof) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed the shares on which the call was made will be liable to be forfeited.

(c) If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls, instalments, interests, costs, charges and expenses due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect and such forfeiture shall include all dividends which shall have been declared on the forfeited shares and not actually paid before the forfeiture.

(d) A forfeited share shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before forfeiture the holder thereof or entitled thereto, or to any other person, upon such terms and in such manner as the Directors shall think fit, and whether with or without all or any part of the amount previously paid up on the share or credited as so paid up and at any time before a sale, re-allotment or disposition the forfeiture may be cancelled on such terms as the Directors think fit. The Directors may, if necessary, authorise some person to transfer a forfeited share to any other person as aforesaid.

(e) A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares.

(f) A record in the Minute Book of the Company that a share has been duly forfeited in pursuance of the Articles and stating the time when it was forfeited shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share adversely to the forfeiture thereof and such record and the receipt of the Company for the consideration (if any) given for the share on the sale, re-allotment or disposal thereof, together with the certificate for the share delivered to a purchaser or allottee thereof, shall (subject to the execution of a transfer if the same be so required)

constitute a good title to the share and the person to whom the share is sold, re-allotted or disposed shall be registered as the holder of the share and shall not be bound to see to the application of the consideration (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale, re-allotment or disposal of the share.

(g) The provisions of the Articles as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the amount of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

(vi) Further Issue of Shares

Following the initial issue of Founders' Shares and Participating Shares, no further shares in the capital of the Company shall be issued (other than Nominal Shares) except with the consent in writing of the holders of three-fourths in nominal value of the Participating Shares, or with the sanction of a resolution passed at a separate General Meeting of the holders of the Participating Shares and by a majority of three-fourths of the votes cast at such a meeting. The Unclassified Shares which form part of the authorised capital at the date hereof will, except for such consent as is referred to above in relation to further issues of shares, only be issued as Nominal Shares.

(vii) Procedure for Redemption

The Participating Shares may be redeemed upon and subject to the provisions of the Law and the following terms and conditions:—

(a) The Company may, at any time, give to each holder of Participating Shares not less than two weeks' notice of its intention to redeem any part (but not all) of the Participating Shares then in issue (a "Redemption Notice").

(b) Any Redemption Notice shall be in writing and shall specify the date fixed for redemption ("the Redemption Date") which shall be a date not earlier than the date on which the interim or annual accounts of the Company (as the case may be) are sent to shareholders in any year and not later than the date two months thereafter, the number of Participating Shares of each holder to be redeemed on the Redemption Date and the amount payable on redemption of each Participating Share to be redeemed.

(c) The amount payable on redemption shall be determined by the Directors by reference to the net asset value of the Company after taking into account any reserve that the Directors consider should be established to provide for the future liabilities of the Company, such reserve (less any claims made thereon) to be distributed by the Company on such basis as the Directors may from time to time determine.

(d) On each Redemption Date the holders of the Participating Shares to be redeemed shall be bound to deliver to the Company the certificates for such Participating Shares for cancellation, and thereupon the Company shall pay to (or to the order of) such holders the amounts payable in respect thereof and such payment shall be made through a bank if the Company shall think fit. If any certificate delivered to the Company shall include any Participating Shares not redeemed on the occasion for which it is so delivered, the Company shall forthwith issue without charge a fresh certificate for such Participating Shares.

(e) Redemptions of Participating Shares shall be made *pro rata* to the holdings of the holders of Participating Shares and the nominal value of each Participating Share redeemed shall be provided out of the profits of the Company which would otherwise be available for dividend or the proceeds of an issue of Nominal Shares. Such profits shall not include unrealised capital profits. Participating Shares redeemed in accordance with the provisions of this Article may not be re-issued, and shall be cancelled.

(f) Participating Shares shall not be redeemable at the option of the holders of such Shares.

(b) Directors

(i) There are no existing or proposed service contracts between the Company and any of its Directors. A Director is not required to hold any shares by way of qualification. There are no provisions requiring Directors to retire at any specified age.

(ii) Under the Company's Articles of Association, Directors are entitled to such remuneration as the Directors shall from time to time resolve, subject to and until otherwise determined by the Company in General Meeting. The current aggregate remuneration of the Directors has been fixed at \$54,000 per annum, deemed to accrue from day to day. Directors may also be paid travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or other meetings or in connection with the business of the Company. The Directors may grant special remuneration to any Director required to perform any special or extra duties for the Company. A Director appointed as an executive or salaried officer may (subject to the foregoing) receive such remuneration as the Directors may determine.

(iii) All Directors, the Secretary and other officers or servants of the Company are indemnified by the Company against any costs, losses and expenses which are incurred as a result of their duties in relation to the Company's assets in respect thereof in priority to shareholders' claims.

(iv) The Articles of Association of the Company provide that no Director or intending Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established, but the nature of his interest must be declared by him at a meeting of the Directors. A Director's voting rights in respect of matters in which he is materially interested are, however, restricted in certain cases as detailed in the Articles of Association. The Company has power by ordinary resolution to suspend or relax the foregoing restrictions or to ratify any transactions not duly authorised by reason of a contravention thereof. A Director may also be interested in or connected with other companies in which the Company is interested.

(v) A Director may hold any other office of profit under the Company (other than the office of Auditor), in conjunction with his office of Director on such terms as to tenure of office and otherwise as the Directors may determine.

(c) Board of Representatives

(i) The Articles of Association of the Company provide for the creation of a Board of Representatives (the "Representative Board") consisting of members nominated by such persons as shall be invited by the Directors to make nominations to the Representative Board. Once a member has been nominated, he may only be removed from the Representative Board by notice in writing from the person nominating such member or the Directors. If the removal is by the person nominating such member he may appoint and remove a successor to the said member.

(ii) The Representative Board may meet together for the despatch of business, adjourn and otherwise regulate its meetings, as the members thereof think fit. The members shall appoint one of their number to act as Chairman of the Representative Board. Questions arising at any meeting shall be decided by a majority of votes of the members of the Representative Board. The Chairman shall not have a casting vote. The Manager shall be invited to all meetings of the Representative Board and shall be entitled to speak thereat but not exercise any vote.

(iii) Other than the power to request a General Meeting of the Company the Representative Board shall have no power to act for or in the name of the Company or commit or bind the Company in any way but shall merely provide a forum for comment and advice to the Company and the Manager (which the Company and the Manager shall be free to accept or reject in their absolute discretion). Members of the Representative Board shall not be, and shall not hold themselves out as being, Directors of the Company having any of the powers, duties or responsibilities of Directors.

(iv) Members of the Representative Board shall not be remunerated but their reasonable travelling costs and expenses incurred in attending and returning from meetings shall be reimbursed by the Company.

(d) Borrowings

Under the Articles of Association of the Company, the Directors may exercise all the powers of the Company to borrow and charge its assets. The Articles provide that the Directors shall restrict the borrowings of the Company and exercise voting rights in relation to its subsidiaries (if any) so as to procure that the aggregate amount for the time being remaining undischarged of all moneys borrowed by the Company and its subsidiaries ("the Group") for the time being exclusive of intra-group borrowings shall not at any time without the previous sanction of a resolution of the Company in General Meeting exceed an amount equal to the Share Capital and Consolidated Reserves of the Company as defined in the Articles. For the purposes of the said limit, the issue of loan capital and debentures shall be deemed to constitute borrowing notwithstanding that the same may be issued in whole or in part for a consideration other than cash and the issue of a guarantee or the provision of security by a member of the Group in respect of a borrowing by a third party shall be deemed to constitute borrowing by the Group.

(e) Management

The Articles of Association of the Company contain provisions to the following effect:—

(i) The Directors may appoint managers of the Company's administrative affairs and the investment and reinvestment of the Company's assets and may appoint investment advisers to advise in respect of such investments and may entrust to and confer upon such managers or investment advisers any of the functions, duties, powers and discretions exercisable by them as Directors in relation thereto upon such terms and conditions including the right to remuneration payable by the Company and with such powers of delegation and such restrictions as they think fit and either collaterally with or to the exclusion of their own powers.

(ii) The terms of any agreement entered into by the Company appointing any managers or investment advisers (other than the original agreements entered into prior to the initial issue of Participating Shares appointing the first managers and the first investment advisers) and any variations made after the initial issue of Participating Shares to any such agreement then in force (including such original agreements), shall be subject to approval by a resolution of a general meeting of holders of Participating Shares who are on the register at the date on which notice of such meeting is given and passed by an absolute majority of the votes given PROVIDED THAT no such approval shall be required:—

(A) in the case of a variation to an existing Management Agreement or Investment Advisory Agreement; or

(i) the Manager or Investment Adviser (as appropriate) consider that any such variation is necessary or expedient having regard to the provisions of any fiscal legislation, actual or proposed;

(ii) the Company, the Manager and the Investment Adviser (as appropriate) each certify that any such variation does not materially prejudice the interests of the holders for the time being of the Participating Shares or any of them and does not operate to release the Manager to any material extent from any responsibility to the Company; or

(iii) the variation relates to the amount or rate of remuneration, disbursements or out of pocket expenses payable to the Manager or the Investment Adviser (as appropriate) and such variation has been approved at a meeting of the Board of Directors of the Company at which

Mezzanine Capital Corporation Limited continued

Directors who are Connected Persons (as defined in the Articles) of the Manager or the Investment Adviser (as appropriate) may be counted in the quorum but shall not be entitled to exercise a vote, and

(B) in the case of a new agreement if the terms thereof do not differ materially from those in force prior to the termination of the previous agreement.

(f) Rights of Shareholders on a Winding up

- (i) If the Company shall be wound up the surplus assets shall be applied in repayment *pari passu* to the members of the nominal amount paid up by them on shares in the Company in the following priority:
- the first on Participating Shares (if any),
 - secondly on Nominal Shares (if any)
 - thirdly on Founders' Shares.
- (ii) Any surplus assets of the Company then remaining shall be distributed *pari passu* among the holders of the Participating Shares or if there are no Participating Shares in issue among the holders of the Nominal Shares or if there are no Participating Shares or Nominal Shares in issue among the holders of Founders' Shares.
- (iii) If the Company shall be wound up (whether the liquidation is voluntary, under supervision or by the court) the liquidator may, with the authority of an Extraordinary Resolution, divide among the members in specie, the whole or any part of the assets of the Company, and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purposes set such value as he deems fair upon any one or more class or classes of property, and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no member shall be compelled to accept any shares in respect of which there is a liability.
- (iv) Where the Company is proposed to be, or is in the course of being, wound up altogether voluntarily, and the whole or part of its business or property is proposed to be transferred or sold to another company, whether a company within the meaning of the Companies Act of the Cayman Islands or not ("the transferee"), the liquidator of the Company may, with the sanction of an Extraordinary Resolution, conferring either a general authority on the liquidator or an authority in respect of any particular arrangement, receive, in compensation or part compensation for the transfer or sale, shares, policies or other like interests in the transferee for distribution among the members of the Company, or may enter into any other arrangement whereby the members of the Company may, in lieu of receiving cash, shares, policies or other like interests, or in addition thereto, participate in the profits of or receive any other benefit from the transferee.
- (v) Any sale or arrangement in pursuance of this Article shall be binding on the members of the Company.
- (vi) An Extraordinary Resolution shall not be invalid by reason that it is passed before or concurrently with a resolution for voluntary winding up or for appointing liquidators.

2. Preliminary Expenses of the Company

The Company has agreed to pay the following fees in connection with the formation of the Company and the subscription of the Participating Shares (as more particularly described in paragraphs 5(a), (f) and (g) below):

- A fee of 2% per cent. flat on the subscription price will be payable to certain financial institutions in connection with the placement of the Participating Shares.
 - CG and EIT will receive a discount of 2½ per cent. flat on any Participating Shares subscribed by them respectively pursuant to the arrangements described herein.
 - A fee of 2½ per cent. flat on the subscription price of the Participating Shares issued pursuant to the Offer, other than those subscribed by CG and EIT, will be payable to CJ, out of which CJ will, on behalf of MCC, an allotment commission of ½ of one per cent. to stockbrokers, banks and other institutions whose stamps appear on any Application Forms.
 - A fee of ½ of one per cent. flat on the subscription price of the Participating Shares issued pursuant to the Issue will be payable to CJ in connection with the formation of the Company, the preparation of this Prospectus and advice generally on the proposed activities of the Company.
- These fees are exclusive of the cost of printing, accountancy, legal, advertising and other expenses of or incidental to this offering including the fees for obtaining a listing on The Stock Exchange which will be borne by the Company, and are estimated to amount to \$800,000. The total amount payable by the Company, assuming that the proposed issue of Participating Shares amounts to 10,000,000, is estimated to amount to \$3,800,000.

3. Custodian

The Articles provide that the Directors may appoint a Custodian to be responsible for the safe custody of any of the assets of the Company and to perform such other duties upon such terms as the Directors may determine. The remuneration of any such Custodian shall be payable by the Company. The terms of appointment of any such Custodian may authorise such Custodian to appoint (with powers of sub-delegation) sub-custodians, nominees, agents or delegates at the expense of the Company or otherwise.

4. Directors, Promoters and other interests

Mr. E. G. Cox is a director of CG, CHUSA and of CJ which will receive the fees referred to in paragraph 2(c) and (d) above in connection with the Issue. Mr. M. M. Halpern and Mr. J. L. Katz are directors of CHUSA and Mr. M. M. Halpern is also a director of the Manager. Mr. K. P. H. Mackenzie is a director of CJ and of the Manager. Mr. M. C. Spiddard and Mr. M. E. D'A. Walton are directors of EIT and Mr. M. E. D'A. Walton is a director of the Manager.

The following Directors of MCC will receive a director's fee currently fixed at the following rates: Mr. W. A. Law, \$24,000 per annum; Mr. M. C. Spiddard, \$15,000 per annum; and Mr. A. Schettler, \$15,000 per annum.

Mr. M. M. Halpern and Mr. J. L. Katz as members of the management of CHUSA will be entitled to receive shares in the Manager under the arrangements referred to above, under the heading "Management and Administration".

Save as aforesaid, no Director has had any interest in the promotion of the Company or in any assets acquired, disposed of or to be acquired, disposed of or by or leased to the Company and no Director has a material interest in any contract or arrangement entered into by the Company which is significant in relation to the business of the Company. As further described in paragraphs 5(f) and (g) below CG and EIT have each agreed to subscribe for up to 2,075,000 Participating Shares evidenced by BDRs, at a discount of 2½ per cent., subject to a reduction in their respective commitments depending on the result of the Offer. As part of the arrangements referred to in paragraph 5(e) below FFI (UK Finance) plc ("FFI") has agreed to subscribe for 1,200,000 Participating Shares evidenced by BDRs, at a discount of 2½ per cent.

CG and EIT have also agreed that if their respective commitments are reduced, they will each acquire from FFI such number of Participating Shares as will result in the holdings of CG, EIT and FFI each being reduced on a *pro rata* basis.

The respective holdings of CG, EIT and FFI will, therefore, following the Offer each represent more than 5 per cent. of the issued share capital of the Company and save as aforesaid the Directors are not aware of any holding which immediately following the Offer will represent more than 5 per cent. of the issued share capital of the Company.

5. Material Contracts

The following contracts have been entered into since the incorporation of the Company and are or may be material:

- A Management Agreement dated 24th May, 1983 between (1) the Company and (2) the Manager whereby the Company appointed the Manager subject to the overall supervision of the Directors, with powers of delegation to manage the Company's administrative affairs, to act as its registrar and to manage the Company's investments. The Agreement contains provisions indemnifying the Manager against any liability not due to its wilful default, bad faith or gross negligence. For the purpose of carrying out its duties under the Agreement certain of the functions, duties, powers and discretions of the Directors are exercisable by the Manager. In the event of the termination of the Management Agreement, these functions, duties, powers and discretions will revert to the Directors. The Agreement is terminable *inter alia* by the Manager or by the Company giving at any time after 1 year not less than 90 days' written notice.
- An Investment Advisory Agreement dated 24th May, 1983 between (1) the Company (2) the Manager and (3) CHUSA, whereby the Company appointed CHUSA to advise the Company or the Manager on behalf of the Company as to the investment and reinvestment of the Company's investments and to co-ordinate investment advice and information on behalf of the Company. The Agreement contains provisions indemnifying CHUSA against any liability not due to its wilful default, bad faith or gross negligence. The Agreement is terminable *inter alia* by CHUSA or by the Company giving at any time after 1 year not less than 90 days' written notice.
- A Custodian Agreement dated 24th May, 1983 between (1) the Company and (2) the US Custodian whereby the US Custodian agreed to hold the US assets of the Company in safekeeping and on its behalf. The Agreement contains provisions exempting the US Custodian from liability except in cases of its own wilful default or resulting from the negligence of its employees. The Agreement may be revoked by either party giving 30 days' written notice.
- A Fund's Secretary's Agreement dated 24th May, 1983 between (1) the Company and (2) CIA whereby the Company appointed CIA to act as its Secretary. The Agreement exempts the Secretary from liability not due to wilful default, bad faith or gross negligence. The Agreement is terminable *inter alia* (i) by CIA or the Company giving at any time after 1 year not less than 90 days' written notice; and (ii) in the event of the termination of the Management Agreement referred to in paragraph (a) above.
- A Placing and Offer for Subscription Agreement dated 24th May, 1983 and made between (1) the Company (2) CJ and (3) Grievson, Grant and Co. and Rowe & Pitman (together "the Brokers"), as varied by an agreement dated 20th June, 1983 between the same parties, whereby the Company and the Brokers agreed to use their reasonable endeavours to place 10 million of the Participating Shares the subject of the Issue. For such services CJ and the Brokers will receive a fee of 2½ per cent. of the price of the BDRs evidencing Participating Shares placed by them respectively out of which they may pay on behalf of MCC (i) to each agent appointed by CJ to place Participating Shares on behalf of the Company a fee of 2½ per cent. of the subscription price of the BDRs evidencing Participating Shares placed by such agent and (ii) to each place within Great Britain an allowance of 11/16ths of 1 per cent. of the subscription price of the BDRs evidencing Participating Shares taken up by such place. The agreement also provides for the payment of the fees and expenses referred to in paragraphs 2(a), (c) and (d) of the Appendix.
- An Agreement dated 24th May, 1983 between (1) the Company (2) the Manager and (3) CG, as varied by an agreement dated 20th June, 1983 between the same parties, whereby CG agreed to subscribe or procure that a member of the Charterhouse Group subscribes for 2,075,000 Participating Shares evidenced by BDRs on the same terms as the Offer but subject to a discount of 2½ per cent. flat. The Agreement further provides that if the number of Participating Shares evidenced by BDRs agreed to be issued by the Company pursuant to the Offer would otherwise cause the issue to exceed 10,000,000 Participating Shares, the obligation upon CG to subscribe or procure subscriptions will be reduced by one half of such excess.

- An Agreement dated 24th May, 1983 between (1) the Company (2) the Manager and (3) EIT, as varied by an agreement dated 20th June, 1983 between the same parties, whereby, *inter alia*, EIT (i) agreed to use reasonable endeavours to seek and appraise suitable investment opportunities consistent with the investment policy of the Company, and to develop the same both alone and in conjunction with CHUSA, and (ii) agreed to subscribe or procure that one of its associated companies subscribe for 2,075,000 Participating Shares evidenced by BDRs on the same terms as the Offer but subject to a discount of 2½ per cent. flat. The Agreement further provides that if the number of Participating Shares evidenced by BDRs agreed to be issued by the Company pursuant to the Offer would otherwise cause the issue to exceed 10,000,000 Participating Shares, the obligation upon EIT to subscribe or procure subscriptions will be reduced by one half of such excess.

- A Deposit Agreement dated 24th May, 1983 between (1) the Company (2) the Depositary and (3) the Manager, containing the terms and conditions on which the Depositary will issue BDRs evidencing Participating Shares. The Deposit Agreement provides for the payment to the Depositary, assuming the issue amounts to \$100,000,000, of an initial fee for the issue of the BDRs of \$32,500, as well as for the payment of certain other fees for the performance of its duties from time to time thereafter, and also provides for the payment by the BDR-Holders of certain fees to the Depositary for issuing new BDRs in exchange for or in replacement of existing BDRs other than on an exchange of a partly-paid BDR for a fully-paid BDR.

The Deposit Agreement contains provisions excluding the liability of the Depositary in certain circumstances. The Agreement is terminable by the Company or the Depositary giving at least 60 days' written notice, provided that no such termination of appointment or resignation shall take effect until the appointment by the Company of a successor depositary.

- A Paying and Exchange Agency Agreement dated 24th May, 1983 between (1) the Company (2) the Depositary and (3) the Paying Agents whereby the Paying Agents agreed to act as paying and exchange agents for the purposes of the BDRs. The Agreement provides for the Paying Agents to be paid by the Depositary, out of its fees payable under the Deposit Agreement, such fees as may be agreed between them from time to time. The Agreement also provides for the Paying Agents to be indemnified against liabilities arising otherwise than as a result of their own wilful default, negligence or bad faith. The Agreement provides for the removal of Paying Agents by the Depositary, with the consent of the Manager, on 30 days' notice.

- A Custodian Agreement dated 24th May, 1983 between (1) the Company (2) the Depositary (3) the Manager and (4) Manufacturers Hanover Nominees (Guernsey) Limited ("the Custodian") under which the Custodian agreed to hold the Participating Shares to be issued by the Company and to be evidenced by BDRs, on behalf of the Depositary. The Agreement provides for the Custodian to be paid by the Depositary such fee as they may agree. The Agreement also contains certain indemnities from the Company in favour of the Custodian and the Depositary in respect of claims resulting from any forfeiture of Participating Shares held by the Custodian.

6. Other Fees

In addition to the management fees and other charges set out under "Management Fees and Other Charges", above the preliminary expenses referred to in paragraph 2, above, and the Directors' fees currently at the rate of \$54,000 per annum, the Company bears the following fees:

- The Agreement appointing the US Custodian provides, *inter alia*, for the payment by the Company to the US Custodian of a fee at its standard rates with a minimum fee of \$350 per annum.
- The Agreement appointing the Secretary of the Company provides, *inter alia*, for the payment by the Company to the Secretary of a fee currently at the rate of \$500 per annum.
- The Agreement appointing the Depositary provides, *inter alia*, for the payment by the Company to the Depositary of an annual fee, assuming the issue amounts to \$100,000,000, of \$7,500 together with certain other fees relating to the performance of the Depositary's function thereunder either itself or through the Paying Agents.
- The above Agreements and the Agreements appointing the Manager, CHUSA and CJ also provide, *inter alia*, for the reimbursement by the Company of certain out-of-pocket expenses and the retention by the relevant parties of certain commissions and benefits arising in the normal course of business.

7. General

(a) The Company is not engaged in any litigation or arbitration and the Directors are not aware of any litigation, arbitration or claims pending or threatened against the Company.

(b) The Company has not established, and does not intend to establish, a place of business in Great Britain, nor has it carried on any business prior to the date of this Prospectus.

(c) The minimum amount which in the opinion of the Directors must be raised by the issue of the Participating Shares evidenced by BDRs in order to provide for the matters referred to in paragraph 4 of the Fourth Schedule to the Companies Act 1948 of Great Britain is \$3,800,000 made up as follows:

- purchase price of property; nil;
- preliminary expenses (including VAT) and commissions payable by the Company \$3,800,000;
- repayment of moneys borrowed for preliminary expenses; nil; and
- working capital; nil.

(d) Price Waterhouse has given and has not withdrawn its written consent to the issue of this Prospectus with its report included in the form and context in which it is included.

(e) The provisions of Sections 50 and 51 of the Companies Act 1948 of Great Britain (other than the penal provisions) so far as applicable (having regard to Section 419 of that Act) shall apply to this Offer.

(f) Save in relation to the issue no share or loan capital of the Company has been issued or agreed to be issued fully or partly paid up for cash or otherwise than for cash, nor is any such capital under option or agreed conditionally or unconditionally to be put under option.

(g) No material issue of Participating Shares (other than to shareholders *pro rata* to existing holdings) will be made within one year of the publication hereof without the prior approval of the Company in General Meeting. No issue will be made which would affect after the control of the Company or the nature of its business without the prior approval of the Company in General Meeting.

(h) Save as disclosed in paragraphs 2 and 5 above no commissions, discounts, brokerage or other special terms have been granted or are payable by the Company in connection with the issue or sale of any capital of the Company.

(i) There is no property purchased or acquired by the Company or proposed to be purchased or acquired which is to be paid for wholly or partly out of the proceeds of this issue or the purchase or acquisition of which has not been completed at the date of issue of this Prospectus.

(j) None of the Directors of the Company has an interest in the share capital of the Company which would be required to be shown in the register maintained under the provisions of the Companies Act 1967 of Great Britain (as amended) if the Company were subject to the provisions of that Act.

(k) The Company does not have any subsidiaries at the date hereof.

(l) The documents attached to the copy of this Prospectus delivered for registration to the Registrar of Companies in England were the letter of consent of Price Waterhouse, and copies of the material contracts described in paragraph 5 above.

(m) The partly-paid BDRs have been accepted for clearance through Euroclear (reference No. 9989) and CedeI (reference No. 601543) and the fully-paid BDRs have been accepted for clearance through Euroclear (reference No. 9990) and CedeI (reference No. 601551).

(n) Copies of the following documents will be available for inspection at the offices of Linklaters & Paines, Barnham House, 59/67, Gresham Street, London EC2V 7JA during normal business hours on any weekday (Saturdays and public holidays excepted) for 14 days from the date hereof:

- (i) the Memorandum and Articles of Association of the Company;
- (ii) the above mentioned report and consent of Price Waterhouse;
- (iii) the material contracts referred to in paragraph 5 above;
- (iv) the Companies Law, 1980, Cap. 22 of the Cayman Islands, as amended, under which the Company was incorporated.

20th June, 1983

Procedure for Subscription and payment of final instalment

All applications to subscribe for the BDRs, evidencing Units of 100 Participating Shares each, now being offered must be made on the Application Form provided and sent or delivered to Lloyds Bank Plc, Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU to arrive not later than 12.00 noon (London time) on 24th June, 1983. Photostat copies of the Application Forms will not be accepted. Applications must be for a minimum of one Unit of 100 Participating Shares or for the following multiples of Units:

- Applications for not more than 10 Units: in multiples of 1 Unit.
- Applications for over 10 and not more than 1,000 Units: in multiples of 10 Units.
- Applications for over 1,000 Units: in multiples of 100 Units.

A separate cheque or bankers draft for the full amount payable on application must accompany each Application Form.

Payment of the amount due on application must be made by means of a cheque or banker's draft drawn in US dollars on a participating office or branch in the City area of a bank in the London US Dollar Clearing Scheme. Cheques and drafts must be made payable to "Lloyds Bank Plc".

Applications, which will be irrevocable until 29th June, 1983 and may only be revoked thereafter in so far as they have not been accepted prior to receipt of revocation, will not be acknowledged but BDRs evidencing Participating Shares will be sent to successful applicants by not later than 7th July, 1983.

The right is reserved to present all cheques and drafts for payment on receipt and to reject any application in whole or in part.

Acceptance of applications will be conditional on the Council of The Stock Exchange admitting all of the BDRs evidencing Participating Shares which are the subject of the Issue to the Official List not later than 29th June, 1983. Monies collected in respect of applications will be returned without interest if such condition is not satisfied by that date and in the meantime will be retained by Lloyds Bank Plc in a separate account. If any application is not accepted or is accepted for fewer Units than the number applied for, the application monies or the applicant's cheque or draft or the balance of such monies, as the case may be, will be returned without interest. It is expected that dealings in the BDRs will commence not later than 8th July, 1983.

Cheques, drafts, BDRs and any other documents will be despatched by post at the risk of the persons entitled thereto except, in the case of BDRs, where the applicant has indicated that he wishes them to be dealt with otherwise. The Depositary provides a facility for holding BDRs on behalf of the owners details of which and the schedule of charges will be provided on request to the Depositary or to the receiving bank. BDRs can also be held on your behalf by Euroclear or CedeI.

If an applicant has indicated on the Application Form that he wishes his BDRs to be held in custody to his order by the Depositary then he will receive notification of the number of BDRs for which his application has been successfully accepted and a form of Safe-keeping Agreement to be entered into with the Depositary who will retain the relevant BDRs.

Payment of the final instalment in respect of the BDRs evidencing Participating Shares must be made by lodging intact your partly-paid BDR with, and making payment in accordance with the instructions printed thereon to, the Depositary or any Paying Agent not later than 15th June, 1984. The amount of the final instalment due will be US\$500 for each Unit of 100 Participating Shares evidenced by the relevant BDR. New fully-paid BDRs will be issued against due payment and surrender of the partly-paid BDR.

FAILURE TO PAY THE FINAL INSTALMENT BY 15th JUNE, 1984 WILL RENDER THE AMOUNT PAID ON ACCEPTANCE LIABLE TO FORFEITURE AND THE RELEVANT PARTICIPATING SHARES LIABLE TO CANCELLATION. IN SUCH AN EVENT THE BDR EVIDENCING SUCH PARTICIPATING SHARES WOULD CEASE TO BE OF ANY VALUE.

Interest at a rate determined by the Directors of MCC and any other costs incurred by MCC may be charged on any payments in respect of the final instalment accepted after the due date.

A commission of ½ per cent. will be paid by CJ, on behalf of MCC, to stockbrokers, banks and other institutions on acceptance in respect of application forms bearing their stamp.

Copies of this Prospectus with Application Forms can be obtained from:

Charterhouse Japhet plc, 1 Paternoster Row, St. Pauls, London EC4M 7DH.

Rowe & Pitman, City Gate House, 39-45 Finsbury Square, London EC2A 1JA.

Grievson, Grant and Co., Windsor House, 39 King Street, London EC2V 8BA.

OFFER by MEZZANINE CAPITAL CORPORATION LIMITED

OF 3,000,000 PARTICIPATING REDEEMABLE PREFERENCE SHARES ("SHARES") OF NOMINAL VALUE US\$0.01 EACH IN UNITS OF 100 SHARES ("UNITS") EVIDENCED BY BEARER DEPOSITARY RECEIPTS PAYABLE AS TO US\$500 PER UNIT ON APPLICATION. THE APPLICATION LIST WILL OPEN AT 10 a.m. (LONDON TIME) ON FRIDAY 24th JUNE, 1983 AND WILL CLOSE AT 12.00 noon (LONDON TIME) ON THE SAME DAY.

Applicants are strongly advised to use first class letter post and to allow 2 days for delivery.

FORM OF APPLICATION

To: MEZZANINE CAPITAL CORPORATION LIMITED ("the Company") and MANUFACTURERS HANOVER BANK (GUERNSEY) LIMITED ("the Depositary")

*Number of Units for which application is made	Amount of cheque/draft enclosed	No.
US\$		
		Stamp of agent claiming commission

Number of units applied for	Equivalent number of shares	Amount payable on application
10	1,000	\$ 500
100	10,000	\$ 5,000
250	25,000	\$12,500
500	50,000	\$25,000

*Applications must be for a minimum of 1 Unit of 100 shares. Applications for up to 10 Units must be in multiples of 1 Unit, over 10 and not more than 1,000 Units in multiples of 10 Units and over 1,000 Units in multiples of 100 Units.

I/We enclose a cheque/banker's draft payable to Lloyds Bank Plc for the above-mentioned sum, being the amount payable on application for the above-stated number of Units at \$500 per Unit, and I/we offer to purchase that number of Units in respect of which this application may be accepted upon the terms of your Offer dated 20th June, 1983 and subject to the Memorandum and Articles of Association of the Company. I/We understand that the Shares are to be evidenced by BDRs issued subject to the terms of a Deposit Agreement dated 24th May, 1983 entered into between the Depositary, the Company and Mezzanine Capital Corporation (Managers) Limited. I/We hereby authorise you to send BDRs in respect of the said Units, and/or a cheque for any monies refundable by post at my/our risk to the address given below, subject to any instructions to the contrary contained herein.

In consideration of your agreeing to accept applications upon the terms and subject to the conditions of the said Offer I/we agree that this application shall be irrevocable until 29th June, 1983 and that this paragraph shall constitute a collateral contract between me/us and yourselves, which shall become binding upon despatch by post or delivery of the Form of Application to Lloyds Bank Plc. I/We agree that, in respect of those Units for which my/our application is not rejected in accordance with the terms of the said Offer, notification to The Stock Exchange of the basis of allocation shall constitute acceptance of my/our application on such basis.

I/We agree that this application and any acceptance will be governed by and construed in accordance with English law.

I/We warrant and represent that I/we have observed and complied with all requirements and obtained all consents required for this application to be made with any jurisdiction to which I/we may be subject, and I/we hereby declare that the Units are not being acquired directly or indirectly by a US person* or by a resident of Guernsey, Alderney or Herm, or by a member of the public of the Cayman Islands, nor in violation of any applicable law.

I/We understand that due completion and delivery of this Form of Application accompanied by a cheque or draft will constitute a warranty that the cheque or draft will be honoured on first presentation.

I/We acknowledge that BDRs and cheques for excess application monies are liable to be held pending clearance of applicants' cheques or drafts.

*The term "U.S. person" includes any national or resident of the United States of America, its territories and possessions or any areas subject to its jurisdiction, any corporation, partnership or other entity created or organised therein or under the laws thereof or of any political subdivision thereof, and any estate or trust which is subject to United States income taxation regardless of the source of its income.

DELIVERY INSTRUCTIONS:

I/We hereby request you to arrange for any BDRs allocated to me/us pursuant to this application to be dealt with as follows:

- I/We wish to take advantage of the facilities offered by the Depositary for custody of any BDRs which may be allocated to me/us pursuant to this application and hereby request that such BDRs be retained by the Depositary on my/our behalf, subject to the terms of its standard Safe-keeping Agreement, a copy of which should be sent to me/us for signature.
- the BDRs should be sent by registered post at my/our risk to

for the account of under reference

I/We should be credited free of delivery charges by the Depositary to my/our Euroclear/CedeI Account No.

Delete as appropriate. If this section is not completed the BDRs will be despatched by post to the address below.

NO DELIVERIES OF BDRs WILL BE MADE IN THE UNITED STATES OR ANY OF ITS TERRITORIES OR POSSESSIONS.

If you wish the Depositary to arrange insurance to cover the loss of BDRs during delivery please place a cross in this box ☐ You will be invoiced for the sum due in respect thereof and payment must be made therefor prior to delivery of your BDRs.

Signature Dated, 1983.

Forename(s)

Surname

Address (in full)

For Office Use Only

1. Acceptance Number

2. Number of Units accepted

3. Amount received \$

4. Amount payable \$

5. Amount returned \$

6. Cheque Number

A corporation should complete this Form of Application under hand by a duly authorised officer who should state his representative capacity. If this Form is signed by an attorney, the power of attorney must accompany the Form.

This Form of Application, when completed, together with a cheque or banker's draft drawn in U.S. dollars on a participating office or branch in the City area of a bank in the London US Dollar Clearing Scheme, for the full amount payable on application should be sent or delivered to Lloyds Bank Plc, Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU.

Marketing and advertising: Torin Douglas

Financial notebook

How Kentucky Fried Chicken plan to fly back up the pecking order

The long difficult road ahead for a new banking concordat

Colonel Sanders, whose "finger-licking good" Kentucky Fried Chicken is one of the senior citizens of the fast food business in Britain, is about to undergo a course of rejuvenation.

Faced with increasing competition from hamburger operations, pizza parlours and ethnic takeaways, with volume falling and turnover growth slowing, the group is about to undergo a radical "repositioning programme" to restore its fortunes.

The programme, aimed at building the all-important family custom, has just been test-marketed in three regions of Britain, bringing sales increases of more than 50 per cent. Next week, it is to be extended nationally, spearheaded by a £4m television advertising campaign, and customers will find new menus, new prices and new equipment in the shops.

Kentucky arrived in Britain 20 years ago, long before McDonald's, Burger King, Wendy, Huckleberry and most of the American imports in the increasingly congested fast food business.

It has 350 British outlets, which makes it by far the largest takeaway operation (Wimpy, which has 500 outlets, has fewer than 50 offering takeaway service) and a turnover of £75m a year. Of the 350 outlets, 300 are owned by 150 franchisees, the rest being owned by the company, mainly in London.

Its dominance in terms of outlets, however, is not reflected in turnover. McDonald's, the most successful takeaway company, both here and in the United States, already has a higher turnover than Kentucky with only a third of the number of outlets. Last year, Kentucky turnover grew by only 6 per cent, compared with 33 per cent in 1980, and volume was down by 7 per cent.

Kentucky's management spotted the trouble coming before its franchisees and set about sorting it out. At the end of 1981, a British managing director was appointed.

Mr John Barnes arrived with a classic marketing record. Trained at Procter & Gamble in Newcastle, he became brand manager on Flash floor cleaner, and successfully launched a new soap in the United States. He then moved to PepsiCo

	EATING OUT - SHARE OF REVENUE (%)		
	1978	1981	Revenue increase
Quick service restaurants	8	11	80
Hotels	20	21	87
Restaurants	13	11	11
Pubs	53	51	28

Source: Kentucky Euromonitor/Mintel

	TAKE-AWAY FOOD MARKET 1979-81		
	1979 £m	1980 £m	1981 £m
Hamburgers	60	110	135
Sandwiches	24	21	24
Pizza	22	28	35
Fish and Chips	275	300	345
Chinese	140	155	160
Indian	38	40	42
Fried chicken	38	44	50
Other	20	21	24
	615	720	815

Source: Mintel (and trade estimates).

(Europe), where he was responsible for introducing the successful Pepsi Challenge advertising, before being appointed general manager of Pepsi in Canada.

Mr Barnes began research to discover how Kentucky Fried Chicken was seen in relation to its competitors and where its business was coming from.

The findings were not encouraging, on the face of it. The group's image was poor, particularly in terms of value for money, and sales were over-dependent on young men with low income, often unemployed, who usually took home a Kentucky fried chicken portion when the pubs closed. Mr Barnes saw an immediate correlation between the fact that both beer sales and Kentucky were down 7 per cent.

"In March last year, 54 per cent of our business was done between 7 o'clock and midnight and 58 per cent of our business was accounted for by the standard portion of two or three pieces of chicken and chips," says Mr Barnes. "During the daytime, we were serving no more than seven or eight people an hour."

On the other hand, there were encouraging factors. In blind taste tests, 86 per cent approved of the Kentucky chicken, though there were complaints

that the portions were too small. And while any number of companies were competing with McDonald's for the hamburger market, Kentucky had the chicken slot sewn up.

Poultry is getting cheaper when the price of beef and fish is on the increase. Added to which, the fact that Kentucky had so many outlets - even if the turnover per shop was so much lower than that of McDonald's - and that meant there was potential for growth. For companies moving into the fast food area, finding sites is a big problem.

Armed with these findings, Mr Barnes put together a programme designed to increase the average turnover of each shop, by improving sales during the day, moving the trading pattern from individual purchases to family purchases, and, equally important, by improving the image.

To combat the poor value-for-money image, Kentucky would offer larger chicken portions, but would also offer new items designed to attract families and lunchtime custom.

The cost per head had to be brought below £1, about the price of a portion of fish and chips, which still accounts for almost half of all takeaway business and which Mr Barnes

TAKE-AWAY FOOD OUTLETS (%)	
Chicken	48
Fish and chips	48
Hamburgers	28
Ethnic	6
Pizza	15
Others	10
Total	21,000

Source: KFC/Euromonitor/Mintel

saw as the main competitor. Family "bargain buckets" offering meals for four at about £1 a head, and party packs would be introduced, together with a lunchtime snack at 70p and a 95p chicken sandwich.

New shop layout and uniform for the staff would be needed, with menu cards in the window; new equipment to reduce serving time to one minute per order; better packaging to make the food easier to carry and more convenient to eat; and a big advertising campaign to tell the public how things had changed.

Those were Mr Barnes' proposals. But they had to be approved by head office and required the agreement of the Kentucky franchisees. Without their approval, the scheme could not be introduced - and approval meant finding the money for the changes.

What is more, with such a big relaunch, the scheme had to be approved by everyone as a few old-style, low image Kentucky outlets would ruin the strategy. "We needed to win their hearts, their minds and their wallets and to do that we had to create a model to show how successful the changes could be," says Mr Barnes.

Approval was won from franchisees in the South-west and East Anglia television areas and a test marketing operation began last September. The new equipment and packaging were brought in, staff were trained, and new television commercials were made by the advertising agency Young & Rubicam.

The commercials were designed to appeal to families, but without alienating the bed-rock of the young men back from the pub, which was one of Mr Barnes' big fears. They therefore used one of Kentucky's traditional customers, a 17-year-old called Gary, as the focus, introducing other members of

his family to Kentucky fried chicken.

The tests proved highly successful. In 10 months, sales in the South-west grew by 43 per cent and in East Anglia by 45 per cent. "To produce this level of growth from already established businesses is astonishing in the fast food world," says Mr Barnes. "I have even had letters from franchisees complimenting us and that, believe me, is unheard of."

Results in Northern Ireland, where the programme has been more recently introduced, were even better - a 52 per cent increase in turnover in three months.

Research in March this year shows that, in the test areas, the daytime share of the business has risen from 46 per cent to 54 per cent, without affecting sales after 7 o'clock. Family packs already account for 23 per cent of the turnover and the traditional two to three pieces of chicken plus chips are only slightly down. Sandwiches now account for 10 per cent of the business.

Next week, the commercials start in London, the South, Yorkshire and the North-east, and will be extended. That, however, is just the start.

About 150 new shops are planned over the next five years - including a drive-in in the Old Kent Road - and there is a queue of waiting franchisees. Mr Barnes is keen to emphasise that this means 2,500 jobs will be created, 50 of them as training staff, including 20 graduates.

The franchisees - traditionally the weak link in the fast food business - have invested £8m in equipment and store design and a further £2m on extra advertising. Kentucky itself has invested several millions.

Mr Barnes is convinced that in a relatively static fast-food business, in which some entrants are already pulling out, the chicken sector - accounting for only 2 per cent of the 21,000 outlets - is the one to be in. "I think McDonald's are wonderful - and I wouldn't want to be competing with them directly," he says. "Once people have been to a McDonald's and like the idea of fast food, they will come to Kentucky for a change of menu."

As bankers approach the first anniversary of the international debt crisis, there is still limited progress in standardising bank accounting and information on their solvency. This makes bank supervisors' jobs far more difficult and it may encourage insular leading policies.

The 12-nation Basle-based committee on Banking Regulations and Supervisory Practices has just published its latest supervisory guidelines, replacing principles enacted in 1975 and known as the Basle Concordat.

The report says there are two basic principles of supervision. First, no international banking activity should escape supervision and, second, such supervision should be adequate. The guidelines are not legally binding, they do not deal with the issue of central banks acting as lenders of the last resort, and they do not define detailed methods of supervision. This is the responsibility of the appropriate national authorities.

The committee is made up of senior central bankers from the Group of Ten plus Luxembourg and Switzerland and is chaired by Mr Peter Cooke, from the Bank of England. Over the past few years, it can point to substantial progress. Bank supervisors cooperate far more closely and look harder at the total group structure of a bank parent or subsidiary company. There are still lapses, as with the Ambrosiano affair. The latest guidelines help to plug some remaining gaps.

Yet there is still a large question mark over international banking supervision. The Basle Committee limits its work to general principles and keeps out of detailed methods of supervision, including the crucial question of what constitutes an adequate level of capital. Not surprisingly, it argues that this remains the responsibility of national authorities, and in practice the respective central banks.

The European Commission has looked on sceptically at this rather comfortable arrangement and for the past 10 years has attempted to regularise the European position more tightly. In the late 1970s, Mr Dondelinger, the com-

missioner for banking supervision in Luxembourg, produced a first report for the EEC on possible prudential harmonisation and since then we have had a steady flow of proposals.

Despite the commission's numerous sallies into the supervisory field, it has made little progress. The central bankers have kept up a polite but vigorous opposition to intrusions by the commission bureaucrats. Any pronouncements which the commission is allowed to make are generally a restatement of central bankers' intentions or practice.

The central bankers are not simply being obstructive in their opposition to the commission's meagre grandiose schemes. True, they want to keep the bureaucrats from interfering on their patch. However, the job of standardisation is made doubly difficult because European bankers and accountants can still not agree on the underlying principles of bank accounting.

The proposed directive on the annual accounts of banks is intended to harmonise bank accounting in the EEC. Unfortunately, it has run into fierce disputes on a number of critical issues, in particular the place of secret reserves, the treatment of "set-off" and, critically, how to treat the maturity of assets.

At this month's meeting of the Strasbourg Parliament, the proposed directive was sent back to the legal affairs committee and it faces a long difficult road. Even after harmonisation has been achieved in Europe, there will still be yawning discrepancies in presentation and policies of banks worldwide.

Lack of progress in bank accounting and prudential matters leads to two problems. First, users of bank accounts have to struggle to interpret the different accounting methods. At a time when bank lending policies are increasingly entering the political arena, this becomes a serious barrier. Second, there is a danger that, without a general understanding and agreement on prudential guidelines, nations may drift into "insular" lending policies.

Throughout the 1970s banks were eager to expand their international lending.

They had plenty of funds and the new sovereign borrowers looked attractive customers. Strong competition meant that margins were narrow. One consequence of these trends was that banks' capital adequacy ratios drifted downwards.

Today, bankers have changed tack. The vice-president of finance is king and the corporate aim is to increase profits and build up capital ratios. In this they are encouraged by legislators and supervisors who are not going to allow a major crisis on their home ground.

The Federal Reserve Board has introduced new capital ratios for the 17 major United States multinational banks this week. The multinationals have now to maintain capital at 5 per cent of assets. By itself the ratio is not particularly horrendous; 12 out of the 17 banks are already over the limit. However, the market is encouraging banks to push substantially above minimum limits. As Mr Paul Volcker, chairman of the Federal Reserve Board, said: "My sense is that these are minimum standards."

The easiest way to bolster capital ratios is to cut back on lending. As part of the debate going on over increased subscriptions to the International Monetary Fund, American legislators are already calling for restrictions on foreign lending by American banks.

Calls for increased capital and curbs in international lending are not confined to the United States. The Bonn government is preparing a bill to increase the capital banking behind German banks' international lending. Other nations are closely examining banking rules.

It is difficult to argue against any of the current moves in isolation. However, if bankers are allowed to drift from proper caution into a mood of excessive constraint, we could be at the beginning of a far more severe debt crisis.

To return to our Basle central bankers, a rigorous international supervisory framework would at least help to ward off the short term pressures of legislators and market forces.

Jan Marshall

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worldwide reputation for excellence.

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The longer the flight, the more the details matter.

JAPAN AIR LINES

APPOINTMENTS

Mr John Smith is appointed a director of Associated British Ports from July 1.

Dr John Roberts and Mr David Morris have been elected directors of Camrex (Holdings). Dr Roberts is the new chairman. Mr Stanley Clarke had resigned from the board and as chief executive and chairman.

Mr Andrew Reid, chairman of Imperial Tobacco and a

The Republic of Trinidad and Tobago
U.S. \$50,000,000
Floating Rate Notes due 1990
In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the first Interest Period has been fixed at 10 1/4% per annum. The Coupon Amount of U.S.\$24.22 will be payable on 22nd December, 1983 against surrender of Coupon No. 1.
21st June, 1983
Manufacturers Hanover Limited
Reference Agent

MULTIBANCO COMERCEX, S.A.
U.S.\$25,000,000
Floating Rate Notes due 1984
In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the first Interest Period has been fixed at 10 1/4% per annum. The Coupon Amount of U.S.\$1.79 for the U.S.\$1,000 denomination and U.S.\$22.98.32 for the U.S.\$50,000 denomination will be payable on 21st December, 1983 against surrender of Coupon No. 8.
21st June, 1983
Manufacturers Hanover Limited
Agent Bank

director of Imperial Group joins the board of Renold as a non-executive director from July 1.

Mr Paris Moyley has joined the Walter Lawrence Group. He has been appointed a director of Walter Lawrence Project Management and Walter Lawrence Design & Construct, recently formed subsidiaries of Walter Lawrence.

Miss Gillian Martin has joined the board of Druidale Securities.

Mr R. T. S. Macpherson has been appointed non-executive chairman of Allstate Insurance Company and Allstate Reinsurance Company.

Mr Clive Ashley has become a director of Petrol Services of the Motor Agents Association.

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange

Ecclesiastical Holdings plc

(Incorporated under the Companies Acts 1948 to 1981)

Placing of

£6,000,000 13 per cent. Debenture Stock 2018 at £99.705 per cent. payable in full on acceptance.

Application has been made to the Council of The Stock Exchange for the whole of the above Stock to be admitted to the Official List.

In accordance with the requirements of the Council of The Stock Exchange, £600,000 of the Stock is available in the market until 10.30 a.m. on 22nd June, 1983.

The Stock will carry interest at the rate of 13 per cent. per annum which will be payable (less income tax) half-yearly on 28th February and 31st August.

All of the share capital of Ecclesiastical Holdings plc is owned by Allchurches Trust Limited which is incorporated in England and registered as a charity.

Particulars of the Stock and information about Ecclesiastical Holdings plc are available in the Extel Statistical Services and copies of both documents may be obtained during usual business hours on any weekday, except Saturdays, up to and including 5th July, 1983 from:

Morgan Grenfell & Co. Limited
New Issue Department,
21 Austin Friars,
London EC2N 2HB.
21st June, 1983

Rowe & Pitman
City Gate House,
39-45 Finsbury Square,
London EC2A 1JA.

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange

Gilbert House Investments Plc

(Registered in England No. 970842)

SHARE CAPITAL

Authorised	Issued or to be issued fully paid or credited as fully paid
£5,000,000	2,672,000
In ordinary shares of 10p each	

Placing by
A.J. BEKHOR & COMPANY
corporate member of The Stock Exchange
of 2,672,000 ordinary shares of 10p each at 17 1/2p per share

Application has been made to the Council of The Stock Exchange for the grant of a listing for the whole of the issued share capital of Gilbert House Investments plc in the United Securities Market. A proportion of the shares being placed available to the public through the market. It is emphasised that application has been made for these securities to be admitted to official listing. Particulars of Gilbert House Investments Plc are available in the Statistical Service of Extel Statistical Services and copies of such particulars may be obtained during usual business hours on any weekday (Saturdays and Bank Holidays excepted) up to and including 6th July 1983 from:

A.J. BEKHOR & COMPANY
12A Finsbury Square
London EC2A 1LT
21st June 1983

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange

OLDHAM METROPOLITAN BOROUGH COUNCIL

Placing of

£6,000,000

OLDHAM METROPOLITAN BOROUGH COUNCIL 11.25 per cent Redeemable Stock 2010

(Authorised by the provisions of the Local Government Act 1972 and the Local Authority (Stocks and Bonds) Regulations 1974)

Issue Price £100 per cent

Application has been made to the Council of The Stock Exchange for the above Stock to be admitted to the Official List.

In accordance with the requirements of the Council of The Stock Exchange £600,000 nominal of the Stock will be available to the public in the Market on the date of publication of this advertisement.

Particulars of the Stock are available from Extel Statistical Services Limited and copies of the particulars may be obtained during usual business hours on any weekday (Saturdays and public holidays excepted) up to and including 5th July 1983 from:-

James Capel & Co.
Winchester House
100 Old Broad Street
London EC2N 1BQ

Guinness Mahon & Co. Limited
32 St. Mary at Hill
London EC3P 3AJ

Marshall Saturn
Mercantile House
66 Cannon Street
London EC4N 6AE

(advisers to Oldham Metropolitan Borough Council)

21st June 1983

STORE GUIDE

CENTRAL

If you want to know how your new brand's going to move in the nation's stores, Central is the perfect guide.

Our unique geographical position gives us a retail profile which closely matches that of the country as a whole.

As a test market, that sort of typicality is invaluable. We also offer a 40% one year discount.

And extensive distribution support with our Retail Sales Force, in-house presentation facilities and Central Advertising News.

For more information, call Malcolm Grant on 01-486 6688, or Stan Smith on 021-643 9898.

And let Central show you what's in store for your brand.

1000

Law Report June 21 1983 Court of Appeal

Right to stay depends on EEC wife

Regina v Secretary of State for the Home Department, Ex Parte Sandhu.

Before Lord Justice Eveleigh, Lord Justice O'Connor, and Sir David Cairns.

[Judgment delivered June 16]

The non-EEC husband of an EEC national had a right to stay in this country only so long as the wife had been exercising her right to do so. When she had gone back to Germany the husband had rightly been given only limited leave to enter.

The Court of Appeal allowed an appeal by the Secretary of State for the Home Department and the adjudicator, Sir John Pestell, from Mr Justice Comyn's *The Times*, June 10, 1982) who granted judicial review in the form of an order of certiorari to quash the adjudicator's determination.

Mr. Simon D. Brown and Mr. John Laws for the secretary of state and the adjudicator; Mr. Harjit Singh for the husband, Mr. Amrit Singh Sandhu.

LORD JUSTICE EVELEIGH said that in March 1975 the respondent husband had married in Germany a national of the Federal German Republic. On April 6, the wife, being an EEC national, had been granted leave to enter the United Kingdom for six months. That was under what was now paragraph 60 of *Statement of Changes in Immigration Rules* (1980) (HC 394). *R v Pick* (Case 157/79) (1981) QB 571 had not been decided.

In October 1975, the wife had been granted a resident's permit for five years until October 10, 1980, and the husband had been granted similar leave for the same period.

The wife's permit was at that time being granted by virtue of the equivalent of paragraph 127 of the *Immigration Rules* (1979) (HC 394) which provided that if a person admitted for four months enters employment, he should be issued with a residence permit. The residence permit should be limited to the duration of the employment if it is expected to last less than 12 months. Otherwise the permit should normally be for 5 years. But a permit should not normally be granted if the person was not found to be competent at the end of the 6 months' period for which he was admitted, nor if during that time he has become a charge on public funds.

The husband's leave had been under paragraph 131: "Members of the family of a person to whom paragraphs 127-130 apply should be granted extensions of stay or issued with residence permits in the same terms as those relating to that person at the time in question. The family should be regarded as consisting of the person's spouse, their children under 21, their other children and grandchildren if still dependent, and their dependent parents and grandparents." The family should be regarded as consisting of the person's spouse, their children under 21, their other children and grandchildren if still dependent, and their dependent parents and grandparents.

Some time in 1980, the husband had gone out of the United Kingdom. On his return, he had been given leave to enter until October 10, 1980. He had required that leave because of section 3 (4) of the Immigration Act 1971: "A person's leave to enter or remain in the United Kingdom shall lapse on his going to a country or territory outside the common travel area (whether or not he lands there), unless within the period for which he had leave he returns to the United Kingdom in circumstances in which he is not required to obtain leave to enter; but, if he does so return, his previous leave (and any limitation on it or conditions attached to it) shall continue to apply."

In September 1980, he had applied for the limitation on his leave to be removed. His application had been refused.

The view had been taken that he was not independent right himself under the Rules to be here and that he had been dependent on his wife's right to be here as an EEC national.

The adjudicator had dismissed his appeal, relying on *Grewal v Secretary of State for the Home Department* (1979-80) 1 Imm AR 119. He had taken the view that the material facts of this case were that the wife had left this country.

The husband had sought judicial review of the adjudicator's decision. Mr Justice Comyn had come to the conclusion that he had been wrongly refused his extension.

He had considered Community law and come to the conclusion that the Immigration Rules, particularly HC 394, were in conformity, but, he had said, the decision in *Grewal* was wrong and the adjudicator's con-

clusion was in effect against the spirit of community legislation. He had said that the EEC Treaty, and the regulations and directives, indicated that the object of the law was to secure freedom of movement and the recognition of the family as a unit.

While there were no direct regulations regarding this husband's right to his extension of time, the spirit of the legislation required him to accord such a right. The legislation gave a status to a member of a family which could not be deprived by a unilateral act. The question for the court was: was the husband's claim as clearly dependent on the action of the wife as the secretary of state and the adjudicator had said? Or had some independent right to be gleaned from the European law, not by a direct provision but by what was said to be its spirit or intent?

His Lordship considered first the preamble to and article 10 (1) of Council Regulation (EEC) No 1612/68 and said that one clearly could not just look at the preamble, in general terms, and spell out the general right; the articles themselves more specifically showed that the right was limited in terms of the article that conferred it.

In Council Directive 73/148/EEC "freedom of establishment" clearly meant business establishment. Looking at other provisions of European law, it clearly emerged that the regulations and directives which established an EEC national in respect of his or her dependants only created rights in the dependant himself when they were derivative rights depending on the exercise by the national of his or her own rights, except where the legislation itself specifically conferred rights.

Where the right given to a member of the family was not a right depending on the exercise of a right by the EEC national himself, that was specifically stated; see, for example, Commission Regulation (EEC) No 1231/70, the preamble and article 3 (2).

There, yet again, the wide words of the preamble were not reflected when one turned to the article itself. The benefits granted in the article were very restricted.

His Lordship's conclusion was that any right given to anyone other than an EEC national was to be found specifically in the regulations.

where the extent of that right was very carefully spelled out. His Lordship was unable to take Mr Justice Comyn's view that one was entitled to find a wider protection for the members of the family than that set out in the regulations or directives by looking at their preambles, and he could not accept that the general tone of Community legislation pointed in that direction.

He was therefore of opinion that *Grewal* had been correctly decided. In that case, reference had been made to the divorce because it was a fact of the case, but the clear ratio of the decision was that the wife had left the country.

Mr Singh submitted that *Cristini v SNCF* (Case 32/75) (1975) 2 ECR 1085 indicated that a broad view was taken of the purpose of the European legislation to confer benefits on members of a family, but his Lordship said that in the case at hand it seemed clear that the decision had in fact depended on the provisions of article 3(1) of Regulation No 1251/70 relating to the right of a member state, having been employed there, and then to rights that were then attendant on the right of residence itself, that is, equality of treatment.

His Lordship took the view that the husband could only make a claim to right to a permission to stay in this country so long as the wife had been exercising it. As she was not, the secretary of state had been right to refuse his application and the adjudicator had been right in dismissing his appeal. He would allow the appeal.

LORD JUSTICE O'CONNOR, agreeing, added that in saying that *Grewal* had been correctly decided he would confine his remarks to the substantive part of that decision as opposed to the procedural side of it, which had not been argued in the present case.

Second, in deciding that this spouse had gained no rights on the facts of this case to remain in the country, he was not for his part seeking to say anything about that part of Mr Justice Comyn's judgment regarding the position that might arise in cases of this kind where the wife in this country was separated from spouse and while both were still in this country and the EEC worker was at work.

Sir David Cairns agreed. Solicitors: Treasury Solicitor; Maurice Nadeau & Co.

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Victory in the micro war?

THE WEEK

Clive Cookson

Microsoft has declared victory in the war to become the *de facto* standard operating system for the new 16-bit generation of microcomputers. But Digital Research, which conquered the old 8-bit world with CP/M, refuses to concede defeat to its arch-rival.

The IBM personal computer is the hardware chariot on which Microsoft's MS-DOS operating system has driven far in front of the 16-bit versions of CP/M. Microsoft developed MS-DOS for the IBM personal computer which has grabbed about one quarter of all personal computer sales since its launch in 1981.

The machine's influence on the development of the 16-bit market has been far greater than its 25 per cent share might suggest, since many of the cheaper competitors trumpet "IBM compatible" as a major selling point. Producers of applications software are concentrating their creativity on the IBM market, and machines that do not run MS-DOS are suffering a dearth of good programs.

As a result, users of MS-DOS may outnumber CP/M-86 (the version for single-task single-user 16-bit systems) by as much as ten to one. "Concurrent" CP/M, which is capable of running more than one program at the same time, has not yet taken off in the marketplace.

Digital Research has in fact recognized the power of the IBM market by announcing that it will release its range of languages to run under PC-DOS (IBM's name for MS-DOS). But its spokesmen maintain that CP/M remains a superior operating system and

they point out that manufacturers are still adopting it. The 4,000 applications packages written for 8-bit CP/M far exceed the number produced so far for MS-DOS.

The meteoric rise of Microsoft is turning into the greatest of all the software success stories so far. The company was founded by Bill Gates in 1975 after he dropped out of Harvard at the age of 19. Its first achievement was to develop (within a few weeks) a Basic interpreter for the Altair, the world's original commercial microcomputer. Basic is now of course the dominant language for micros.

Microsoft's revenues have at least doubled every year since 1977. The 1982 figure was \$32m and another doubling seems virtually certain this year. The company is privately held (with no need to raise money by going public in the immediate future) so it does not publish financial results.

During 1983 Microsoft has launched an unprecedented explosion of new products to fuel its future growth. The two most significant are probably the Microsoft Mouse, a \$195 device to move the cursor across the computer screen, and Multi-Tool Word, an elegant, easy-to-use word processing system which Microsoft confidently expects to overwhelm today's best-sellers like Wordstar.

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Forthcoming events

UK
Compu North '83, Belle Vue, Manchester, June 2-23
Leeds Software Fair, John Taylor Teacher's Centre, Leeds, June 21
BBC Micro User Show, Remold Building, UMIST, Manchester, June 24-26

Misc Micro Shows, Holiday Inn Hotel, Liverpool, June 28
Denpo Europe '83, West Centre Hotel, London, June 29-July 1
Malvern Microcomputer Fair, Winton Gardens, Malvern, Worcestershire, July 2

Micro Trade '83, Barbican Centre, London, July 6-8
IBM Users Conference & Exhibition, Wembley Conference Centre, July 12-14
Acorn User Exhibition, Cunard International Hotel, London, August 2

8th ZX Microfair, Alexandra Palace, London, August 20
Computer Open Day, Dragana Hotel, Leeds, September 1
Home Entertainment Show, Olympia, London, September 17-25

Overseas
Mail Computer Show for Office, Home, Hobby, Exhibition Hall, Cologne, June 23-26
International Micro Computer Exhibition, Kuala Lumpur, Malaysia, August 2-5

National Computer Business & Office Systems, Auckland, New Zealand, August 16-19
Australian Computer Exhibition, Melbourne, Australia, September 13-16
International Peripheral Equipment & Software Exposition, Moscone Centre, Anaheim USA, September 13-15

Compiled by Personal Computer News

Discovery date extended in industrial noise cases

Drennan v Brooke Marine Ltd and Another
Robinson v Same
Walker v Same
Smith v Same

Before Mr Justice MacPherson [Judgment delivered June 16]

The date to which discovery of documents should extend would not be limited to the date of the plaintiff's letter before action in cases of noise-induced deafness although such cases were brought in their thousands and it was said by the defendants that discovery unrestricted in time was oppressive. Mr Justice MacPherson held in the Queen's Bench Division in open court after hearing four appeals in chambers. He dismissed each appeal against the master's order dated May 13, 1983 that the defendants disclose all documents in their possession to May 16, 1983.

Mr Roy Lemon for the plaintiffs; Mr John Bate-Williams for the defendants.

MR JUSTICE MACPHERSON said that in each case, the plaintiff claimed

defendants, who were shipbuilders or repairers, for negligence causing deafness resulting from excessive noise in the defendants' workshops and on board ships.

The defendants served standard lists of documents in each case and on each plaintiff's application for a purely voluntary matter done by agreement of those involved.

Turning to the present cases, any documents which it was reasonable to suppose might enable a party to advance his case or to damage that of his adversary must be disclosed. Except for the category in the order referring to writs and pleadings in other noise-induced deafness cases, it was not right to limit the date to which documents should be disclosed.

Subject to what happened in September, orders for discovery should not be cut off at the two dates proposed by the defendants. The no discovery order was made, except as to the category referred to above in which discovery would be limited to the date of the letter before action in each case.

Solicitors: Robin Thompson & Partners, Ilford, Birkett, Ipswich.

to rush precipitately to court until after September since the result might be further trips back.

After those cases were resolved, Master Eton would be pleased to arrange a meeting of those most interested solicitors to discuss what lessons had been learnt. That would be a purely voluntary matter done by agreement of those involved.

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Clive Cookson reports on the unprecedented flow of capital into new companies that is bringing back a fresh confidence in high technology

Green for 'go' in Silicon Valley

The old self-confidence is flooding back through Silicon Valley, washing away last year's short-lived uncertainties about the recession and Japanese competition.

Business is booming again: the American public and politicians have discovered "high tech" and see Silicon Valley as a role model for the industrial revival of the whole country, and even the Japanese seem less fearful competitors than a year ago. But the most important growth factor may be the unprecedented flow of venture capital into the valley's innovative new companies.

The total amount of risk capital raised in the United States has increased more than 100-fold in less than 10 years, from just \$10m in 1974 to \$667m in 1980, \$867m in 1981 and \$1,423m in 1982. This year's figure is likely to exceed \$2,000m. As much as 30 per cent of the funds are invested in the former plum orchards of Santa Clara County, California, which are known now as Silicon Valley.

Venture capitalism has been extraordinarily profitable in Silicon Valley, with many funds making 25 per cent a year on their investments and Don Valentine, the acknowledged champion, achieving a 50 per cent annual return. That is not just because the valley is a fertile source of bright entrepreneurs with good ideas but also because the investors go to extraordinary lengths to nurture their start-ups.

The support for new ventures comes from the valley's famous "network" — the most sophisticated business infrastructure outside Wall Street. Venture capitalists help budding entrepreneurs to find legal advice ranging from corporate structure to contracts and patents; marketing and public relations services; experienced managers, bankers and accountants; early customers; and manufacturing assistance and subcontractors. In a market where everybody's money is green and there's a lot of it about, it's more important who invests in your company than how much is invested, said Rigmor McKenna, Silicon Valley's public relations king and a key member of the network. "The company with high-quality investors will attract or be led to other high-quality members of the network."

Hearing some Silicon Valley entrepreneurs about the supporting network, the visitor is easily lulled into feeling that no company founded with the right connections in the valley can fail. The president of one electronics firm, started with several million dollars of venture capital funding, told me: "If my company ran into trouble, the investors would come to the rescue even if it meant putting in twice as much



as they originally planned but I would no longer be president."

It is too early to predict the failure rate among the offspring of the present venture capital boom. Professor Albert Bruno of the University of Santa Clara tracked 250 high technology companies established during the 1960s when the network was already alive (though very poorly financed by today's standards). He found that little more than one third of the firms had disappeared by 1980; a third had been taken over or merged, and the final third were still independent. "The network must be given credit for taking much of the risk out of the risk culture," commented Mr McKenna.

Sevin Rosen, a venture capital partnership started two years ago by Ben Rosen, formerly America's best-known electronics analyst, and L. J. Sevin, founder of the semiconductor firm Mosek, has put \$17m into 17 new ventures (selected from 300 proposals). Only one has run into serious problems, Mr Rosen said, and those are being corrected by a change of management.

The number of start-ups in Silicon Valley (currently about three a week) is increasing in proportion to the funds available, because today's new companies are much hungrier for cash than their 1970s predecessors. High tech entrepreneurs require huge investments to make an impact on the crowded and competitive markets of the 1980s. In many fields, Ben Rosen says, a new venture needs 10 times as much money as its equivalent five or ten years ago. Semiconductor companies were started with \$1m each in the

1970s; today \$10m is the realistic minimum. The equivalent figures for a major new software company would be \$500,000 in the late 1970s (for example VisiCorp) and \$5m now (Lotus Developments).

The escalation has been even more dramatic in personal computers — compare Apple's \$300,000 first-year funding with the \$30m raised for Compaq. Good entrepreneurs do not only need more money today. They also find themselves in a

stronger position to bargain with the venture capitalists as more and more investors wave dollars at the most promising start-ups. So the founders do not have to hand over such a large share in the company to their backers.

However Ben Rosen rejects the argument, heard with increasing frequency, that "too much money is chasing too few good ideas." He believes that there will be enough worthwhile proposals for venture capitalists

to invest "many billions of dollars a year" by the late 1980s.

Silicon Valley entrepreneurs are not, for the most part, the brilliant young Californians of popular imagination. The story of 21-year-old Steve Wozniak founding Apple Computer in their garage has given the wrong impression.

A more typical Silicon Valley enterprise is started by a small group of experienced electronic engineers — business-suited men in their late 30s or even early 40s who have worked several years for a well established company like Hewlett-Packard, Xerox, or one of the older semiconductor manufacturers.

Often they leave to pursue a good business or technical idea which their employer cannot take up "because corporate resources are fully stretched by other research and development proposals."

Frequently, established companies pursue departing employees with legal action. "The legal system in this country allows anybody to sue anybody else," said Robert Swanson who was sued by National Semiconductor after he had some of the company's best linear circuit designers away to found Linear Technology.

"You haven't arrived as a venture capitalist unless you've been sued several times," said Ben Rosen. "I think the main reason for suing is to discourage more employees from leaving their companies."

Don't let your daughter forget that people come first

Dear Mrs Worthington, So your daughter Sally has given up her hopes of ever appearing on the stage and has decided she wants to work with computers. The advice I can give is not as clear as a parent would like because it is no longer easy for a young man or woman leaving school to get a job, let alone get one working with computers.

My first word of advice to you and Sally is that she will not be working with computers but with people. Whatever work she does get the essential ingredient will be the people she works with and how she gets on with them. I do hope she does not turn into one of those people mesmerized by the machine and oblivious to the people around them. Any good interviewer will spot that a mile off and not employ her.

It was by chance the other day that I polled a group of distinguished members of the computer industry with responsibility for information technology in a chemical company, a major retailer, a major confectionery manufacturer and an oil company. There was also a senior director from one of the UK's leading companies dealing

JOB SCENE

in computers. I pass on their advice because it gives you a broad view and should be useful.

One suggestion, which has a lot of advantages to it, is that Sally should take up a career now in some other line of business and then use her knowledge and enthusiasm for computers to bring information technology into her work. After all, however glamorous this business seems to be, all we do is to provide tools for people so that they can increase their own and others' productivity.

"By the time Sally's 40," the director said, "computers will just be common or garden tools."

Another suggestion was to deluge local companies who have computers with letters begging to get in. Begging is not the right word but you know what I mean; she should write to the data processing manager and the personnel manager of the major companies asking for an interview with the hope of interesting them in a lively and trainable recruit.

"Trainable" is the key word because whatever Sally knows now will soon be out of date. Potential employers will not be testing her knowledge of computers but will be trying to understand now she grasps complex ideas.

She will not walk into a job. Very few companies with computers are offering training schemes for school leavers, however bright and keen they are. Computer users are not looking for experienced staff.

The third proposal is that Sally should write, as soon as possible, to all the sizeable companies that make, sell, repair, install or advise people about computers. By starting with a company that supplies computers, parts of them or in some other way part of the computer industry, she will get a good background from which she can work.

A lot will depend on Sally's persistence because doors will not fly open for her.

By the way, this advice is also valid for John when he leaves school next year.

Yours sincerely,
Richard Sharpe
Editor of Computing

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COMPUTER BRIEFING

The move towards electronic banking takes another step with the installation this month of the first British Telecom Silverphone systems in Greenford telephone exchange, writes Martin Banks. It will allow retailers to gain direct access to the computer systems of the four major credit card companies by way of a modified BT Spectre 100 telephone handset, called the Checkphone in order to check whether the credit transaction is authorised.

Silverphone has been developed for BT by Comdial Communications Systems in Farnley Green, a recently acquired subsidiary of Comdial in the USA. The modified telephone is being produced for BT by Comdial, which is planning to manufacture in South Wales.

When a credit transaction requires authorisation the retailer will first key details into the telephone without picking up the handset. These will include the card number, the retailer identification and the amount involved. The retailer will then use the Checkphone's memory dialling capability to connect with the Comdial system in the local telephone exchange. This, based

on equipment manufactured by Peripherals in the USA, checks that the touch-tone encoded message is "clean" when transmitted by the telephone, and then automatically dials the relevant credit company on BT's packet switched data transmission service.

Authorisation is then transmitted back to the Comdial exchange equipment. From here, the voice takes over from digital and touch-tone and the correct message for the retailer will be "assembled" from a recorded vocabulary held in semiconductor memory.

The £325 price of a Commodore 64 personal computer is set to tumble to £200 within a month, writes Ian White. This is the latest in a round of cuts that have seen home and hobby micros fall in cost by up to 25 per cent over the last two months.

The price war started when W. H. Smith reduced the price of the ZX81 to £10. Such is the popularity of Clive Sinclair's best-seller (it has 42 per cent of the market) that the domino theory went into effect. Texas Instruments and Commodore responded to the ZX81 move either by reducing the price of their products or throwing in extras.

Atari followed by knocking £100 off the price of its Atari 800 bringing it down to £299. Insiders expect the 800 to drop a further £100 soon to remain competitive.

At least one more round of price-cutting is expected before Christmas as new models come on stream. From then on the price of a home computer will stabilise at around £200 with improvements coming in the form of added memory and capacity.

Nine per cent of all small businesses in the UK now have a micro, according to an analysis by Gowing Market Services. Unit sales of 6,650 in 1979 grew to 34,200 in 1982 and a further 85,000 new customers are expected by the end of the year.

Apple, the brand name which is probably most recognizable by the micro novice, is still keeping ahead of the game despite the emergence of new machines from IBM, Wang, Digital and others.

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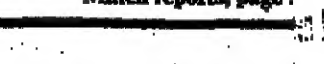
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